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COMPATRIOTS' CLUB LECTURES



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COMPATRIOTS' CLUB LECTURES

FIRST SERIES

EDITED BY

THE COMMITTEE OF THE COMPATRIOTS' CLUB

665.93
28/9/05

London

MACMILLAN AND CO., LIMITED

NEW YORK: THE MACMILLAN COMPANY

1905

PREFATORY NOTE

THE Compatriots' Club, a non-partisan body, was constituted in March 1904 with the object of advancing the ideal of a united British Empire, and of advocating those principles of constructive policy on all constitutional, economic, defensive, and educational questions which will help towards the fulfilment of that ideal. During the first year of its existence the Club has displayed considerable activity. Papers on one or other of the Imperial topics in which it is interested have been read and discussed at its private meetings, and two successful series of public Lectures have been held under its auspices. Moreover, members of the Club have addressed meetings in different parts of the country. The present volume consists of papers read and discussed at the Club meetings, as well as of Lectures, of which short summaries have already appeared in the Press. Among the former may be mentioned Mr. Garvin's "Principles of Constructive Economics as applied to the Maintenance of Empire," which was read at the Inaugural Meeting of the Club on 18th March 1904, and afterwards published as a Supplement in the

National Review; Mr. Gwynne's paper on "The Distribution of Population" (May 19, 1904); and Mr. J. W. Hill's paper on "Colonial Preference" (June 29, 1904). The remaining Lectures were delivered either at Westminster Palace Hotel or at the Caxton Hall on the following dates:—Sir Vincent Caillard (May 12, 1904); Professor Ashley (May 19, 1904); Sir John A. Cockburn (June 16, 1904); Mr. H. W. Wilson (June 23, 1904); and Dr. Cunningham (January 20, 1905). While the members of the Compatriots' Club are generally agreed in their outlook on Imperial affairs, they do not necessarily hold identical views on such complicated questions as those discussed in the present volume. It may even be possible to detect slight differences of opinion among the Lecturers, as there has been no effort to edit them into line. But the Committee believe that this series of papers contains an amount of research, thought, and suggestion—consistent and constructive—which will make them a valuable possession to all who cherish the ideal which is responsible for the existence of the Compatriots' Club.

CONTENTS

	PAGE
1. THE PRINCIPLES OF CONSTRUCTIVE ECONOMICS AS APPLIED TO THE MAINTENANCE OF EMPIRE	1
By J. L. GARVIN.	
2. TARIFF REFORM AND NATIONAL DEFENCE	82
By H. W. WILSON, Author of "Ironclads in Action."	
3. IMPERIAL PREFERENCE AND THE COST OF FOOD	144
By SIR VINCENT CAILLARD.	
4. THE EVOLUTION OF EMPIRE	175
By the HON. SIR JOHN A. COCKBURN, K.C.M.G.	
5. THE PROPER DISTRIBUTION OF THE POPULATION OF THE EMPIRE	196
By H. A. GWYNNE.	
6. POLITICAL ECONOMY AND THE TARIFF PROBLEM	233
By W. J. ASHLEY, Professor of Commerce and Public Finance in the University of Birmingham.	
7. COLONIAL PREFERENCE IN THE PAST	264
By JOHN W. HILLS.	
8. TARIFF REFORM AND POLITICAL MORALITY	302
By the Rev. WILLIAM CUNNINGHAM, D.D., Author of "Growth of English Industry and Commerce."	

I

THE PRINCIPLES OF CONSTRUCTIVE ECONOMICS AS APPLIED TO THE MAINTENANCE OF EMPIRE

By J. L. GARVIN

I. THE DOCTRINE OF DEVELOPMENT

THE strength of the Manchester school lay in the simplicity of its creed. The Imperial school must endeavour to base itself upon an argument equally definite and compact. Statistics up to the present have played an indispensable part in the fiscal controversy, but there is a strict limit to their usefulness: they are trying to the popular head, they make speeches cold, meetings dull, and democracy depressed. Since enthusiasm cannot be generated by arithmetic, no great cause was ever carried by figures. It is essential that the case for Imperial union upon an economic basis should be made as far as possible independent of detail. By the use of undeniable figures we have succeeded in opening a controversy—that is, in creating doubt. But this is negative work, and the effect of our efforts must depend in the long

run upon the extent to which we can make our ideas of positive policy intelligible and convincing. If we are not only to create doubt but establish conviction, we must substitute one creed for another, principles for principles, ideals for ideals. "When I got my method by the end," said Bunyan, "still as I pulled it came." The attempt of the present paper is to seek the leading idea from which the fiscal tangle will come straight of itself in the mind of the plain man. That idea seems to be offered by the doctrine of development as applied to modern economics.

The classical economists belonged to the pre-Darwinian age. We differ from them in our whole view of life and of the ends of life—in our whole mental method as well as in our possession of the practical experience of the last sixty years. We now know, for instance, that the security of all the peace interests of nations depends upon the efficiency of their war apparatus. We know that the one thing worse than war is being beaten; that there is no economic injury more penetrating than defeat; that there are no economic factors so potent, so creative, as national strength and the sense of it. We now know that abandoned colonies and dependencies would mean lost markets as well as a broken Empire, and the permanent weakening of national spirit and energy even at home. The doctrine of development starts from the direct denial of *laissez faire*. It holds instead that under modern conditions the economic progress, no less than the political preserva-

tion of a State, must largely depend upon the conscious purpose and efficient action of the State itself. Government, in a word, should be the brain of the State, even in the sphere of commerce.

England is not ruined, but for the most part exceedingly prosperous. Our purpose is served, not by denying that fact, but by accepting it and reasoning from it. There are of course serious qualifications to be made. A chart of the world's poverty would show the existence of large depressions in this country, and the lowest soundings of all would be taken in the poverty-deeps of London. There is a steady accumulation of social sediment in all our great cities. It is not our immediate business to dwell upon these things, but rather to admit that the average level of material comfort is higher than in any other country in Europe. For there is no mystery connected with this admission. The octogenarian who had never gone to bed sober for half a century, used to be quoted as an instance of the beneficial effects of alcohol, but we should now take him as proving the vigour of an exceptional constitution. There is no doubt that Great Britain possesses, from the commercial point of view, an altogether exceptional constitution. In her maritime facilities and the character of her internal resources she enjoys, in proportion to her area and population, more natural economic advantages than any other country in existence. We inherit a vast amount of accumulated capital from the comparatively recent days of our monopoly, when we were the industrial centre of the world, and our manufacturing

power was equal to that of all other nations combined. Cobdenism discounts our advantages, but has not yet reached the point of neutralising geology, geography, and history! Our gross profits are still greater—they ought to be far greater—than those of any other European people. Trades Unionism enables labour in this country to wrest from capital a maximum percentage of our gross profits.

From this circumstance alone, even if our total earnings were no larger than those of Germany, or were even but slightly lower, the average wages of our working classes would be much higher—the more so as our labour supply is smaller. Foreign competition, recent as it is, has had no time to do more than weaken perceptibly the foundations of our industrial position. It has had no time to break down the mass of the structure. The rivalry of the United States and Germany has been acting with full effect for hardly more than a single decade. Above all, it must be pointed out that we still raise nearly as much coal upon our speck of an island as is raised in the whole of the United States. So long as coal remains the prime motive power of machine-industry, and our position in that respect continues to be anything like as favourable as it is now, our average income per head must be considerably higher than that of any other country in Europe, for reasons with which indiscriminate free imports have nothing to do. We owe to Cobdenism neither our collieries nor our coast-line, nor the historic policy which gave us the mastery of the sea. Yet to the things we do

not owe to Cobdenism we unquestionably owe the main fact of our prosperity—the excess of capital and income per head over the average *per capita* wealth of any continental people.

Our natural advantages in many respects are indeed by no means so exclusive as the classical economists thought. But as compared with a country like Germany—which seemed so hopelessly handicapped three decades ago by a poor soil, a bad coast, by traditional penury, by the struggle from the first against an insufficiency of capital, which is even yet by no means made wholly good—we have every natural qualification for exceptional prosperity. To say we have superior prosperity is nothing. So far as we have it, it is evidently owing to our natural resources, to our long monopoly before the rise of foreign competition, to our Imperial position—that is, to our superior advantages of all kinds. The real question is whether we are making the most or the least of these superior advantages. As democracy would put the matter, are we making the best or the worst of ourselves? The present paper sets out from the view that we are no longer making the best of ourselves and are distinctly tending to make the worst. Our fiscal policy acts as a check upon our natural advantages: the policy of other countries acts as a stimulus upon theirs. Under a good system we ought to have made far more progress in the last thirty years than we have achieved. We ought to be still upon the aggressive and not upon the defensive in every neutral market in the world.

Our existing prosperity ought to be even greater than it is, and our prospects more secure. The contention to be examined, in a word, is, that indiscriminate free imports in this country are no longer conducive to the highest attainable level of economic progress, that for the island and the Empire alike fiscal *laissez faire* is now a principle of minimum development, and that we must seek in another policy the principle of maximum development.

An altogether new vocabulary would be needed in this country to secure the clearest discussion of the issue involved. To a greater extent than has been generally recognised even yet, we are dealing in names which have no relation to things. Let us begin therefore by reminding ourselves of the actual meaning of some familiar terms :—

- (1) *Free Trade* is something which does not exist, which has never existed, which cannot be made to exist, and which, however irreproachable as an ideal, is a conception remaining as purely abstract and remote as that of “the parliament of man, the federation of the world.” The theoretical merits of the doctrine are not in any way involved in the present controversy, and there is no occasion to dispute or even to discuss them.
- (2) *Free Imports* imply by their mere name the absence of free sale. They cannot be confounded with Free Trade, which implied complete reciprocity in the conditions of exchange. That was the quintessence of its

meaning. Further, "free imports" cannot even be called "free imports" without qualification, for the purposes of careful controversy. Our system, if we are to accurately distinguish it from other systems, must always be thought of as "indiscriminate free imports."

- (3) *Protection* nowhere means what in this country it is almost universally supposed to mean. It means in modern economics "largely free imports." That is the quintessence of the idea involved in it. It distinguishes fundamentally between imports of raw material and those of manufacture. The latter are taxed, the former are free. The aim is to restrain the taxed import of foreign goods in order to encourage more powerfully the free import of raw material.
- (4) "*Free Imports*" v. "*Protection*." There is thus between these terms no such radical antithesis as is commonly supposed. The true distinction is the much narrower and more definite one between "indiscriminate free imports" and "largely free imports." In this sense either of these systems has just as much or as little to do with Free Trade as the other. This country, for instance, possesses practically nothing in the shape of free exchange except in regard to coal. Now, foreign countries called Protectionist actually do possess free exchange

—that is, real Free Trade—to a more considerable extent. Germany and France, for instance, have free imports for their raw material and free exports to this market for a very high proportion of their finished manufactures.

- (5) *Federal Trade* is the system proposed to be established in order to promote the largest exchange of commodities between the Mother Country on the one hand, and the Daughter Nations and Dependencies on the other, with a view to the greater security of sea power, as well as to the economic development and political union of the Empire.

Throughout the present paper, therefore, the issue will be regarded as one between indiscriminate free imports and a discriminating system. This implies the abandonment of *laissez faire* and the definite intervention of the State for the purpose of encouraging the more desirable at the expense of the less desirable imports. There is no proposal to reverse Free Trade, for it has never existed. There is no attempt to disparage its principles, for they are remote from the practical issues of the existing generation. If the State is to interfere at all in economic policy, that interference can only take the form of some discrimination between imports and imports. *Laissez faire* was an artichoke of which every leaf but free imports has disappeared. Are we to consider that truth, which did not reside in the root, is likely to reside in the remnant? Or shall the remnant also

disappear with the adoption by the State of a definite policy with regard to sea trade and Imperial production? The whole question of Constructive Economics lies there.

Philosophically the term "constructive economics" is one with which it might be possible to pick a slight verbal quarrel. The conflict is more strictly one, to deviate for a moment into jargon, between the passive and the active conceptions of the State, between the static and the dynamic ideas of public policy, between a theory of structure and a theory of energy; or, in one word, between *laissez faire* and *savoir faire*. The issue, as I understand it, is above all one between the doctrine of drift and the doctrine of development. But this being admitted there are great practical uses in the term "constructive economics." All political economy must involve a theory of the State in relation to trade. For more than sixty years the most dogmatic and least exact of the sciences has been dominated in this country by a futile conception of the State. *Laissez faire* assumes that the State has no function, or only a negative one in relation to trade—that commerce only asks of Governments what Diogenes asked of Alexander.

That is the principle of destructive economics which we are organised to combat. The leading principle of constructive economics is that the State, above all others the British State, has a positive and vital function in connection with the commerce upon which dominion depends. We are told by the survivors of the Manchester school that Governments

can only hamper the operations of industry—that tariffs, in other words, can only limit production and restrict exchange. It is our business to show, upon the contrary, that the State can still give a powerful and decisive impetus to national industry. A national economic policy can unquestionably promote production. In this country a well-adjusted tariff would stimulate, for instance, manufacturing production.

But you cannot promote manufacturing production in this country, which would then rely to a greater extent than ever upon imported raw material, without at the same time promoting exchange in the largest volume and in the best form. If a national tariff increased our manufacturing power it could not do so without making us larger consumers of raw material from the other parts of the Empire. From our point of view, we can only regard a National Tariff on the one hand, and Federal Trade upon the other, as the inseparable factors of a dual apparatus, or rather as the reciprocating parts of a single mechanism. There we touch the aspect of the case which, as I conceive, especially interests this Club.

For again our theory of the State differs from *laissez faire* in that it avoids like the plague all pretence of laying down universal and eternal principles. We have to discuss the conception of a positive economic policy as applied to the concrete and unique circumstances of the British Empire. But we are all the more bound to place the clearest emphasis upon our leading idea—that of the fundamental unity of the whole question. The historic

policy of this country never attempted to distinguish between the respective interests of Trade and Empire. The statesmen of the seventeenth and eighteenth centuries may have taken sometimes an erroneous view of the connection between them. But they had the great merit—Chatham in this respect being always supreme among them—of understanding that the interdependence of trade and Empire was at any rate vital.

Far less can we afford to separate, or can we succeed in separating, those interests now, when the industrial island as a matter of absolute life and death is more than ever dependent upon having access at all times and upon the cheapest terms—of the word cheapest in that connection we are not at all afraid—to the oversea supplies without which our machines would starve as well as our people. For us trade and Empire must sink or stand together. For us the problems of both are urgent. In our belief a home tariff without fiscal federation with the Colonies would be a lever without a fulcrum. We conceive the two things as warp and weft, not to be divided without pulling the texture to pieces. As Mr Balfour said in that remarkable little speech to the overflow meeting at Sheffield, when he repudiated the idea that he was opposed to Preference on principle, it is not within the narrow limits of the four seas that you can develop the wealth, the population, and, in the combination of these two, the power required to keep you in your station among the Empires of the world. Still, as in the old days when the real founda-

tion upon which our greatness yet stands was laid down by the national or positive system, so long and so inadequately known as the mercantile system, ships, colonies, and commerce are the inseparable links of a single chain, and they must slip or hold together. If your ships go, so do your colonies and your commerce; if your commerce goes, so do your ships and your colonies; but also if your colonies should go, so, as we shall see in a moment, must your commerce and your ships.

With respect to each one of these things the condition of your Imperial existence is not success. It is supremacy. For this country there can be no such matter as a second-class position in sea trade with second-class shipping, a second-class navy, and a second-class dominion. We believe it to be in the strictest sense impossible that our supremacy in sea-trade, sea-power, national wealth, and Imperial dominion, can endure permanently or can endure for long without a decisive reversal of the essentially and avowedly anti-Imperial system adopted in 1846, and without a speedy return, with all such wide modifications as the very different needs and circumstances of the time may demand, to the historic and national spirit of commercial policy to which we owe to this day all that is solid still in the foundation and the fabric of the State.

For national policy created sea-power, and sea-power has been not only the instrument of our defence: it has been the great engine of our progress.

II. HISTORICAL DEVELOPMENT

Let us examine, by the light of Dr. Cunningham's researches, the fundamental character of the commercial policy which prevailed in this nation for nearly three hundred years, from before the defeat of the Spanish Armada to close upon the eve of the Crimean War. Compared with the length of that period, indiscriminate free imports and *laissez faire* have represented a very temporary deviation indeed. The main points in the history of three centuries one can only endeavour to bring out here in a few sentences. The *laissez faire* doctrine in trade involved a theory of the stupidity of our ancestors. Now nothing is more certain than that the statesmen in Elizabethan, Stuart, and Georgian times were at least as well able to deal shrewdly with the facts before them as are the statesmen of to-day. The actual quality of brain in Shakespeare's time was as good as it has ever been since. I am certain that Bacon in the discussion of political economy could have given John Stuart Mill a very bad quarter of an hour. The theory of the stupidity of our ancestors before the Cobdenite age will not hold water for a single moment.

What does Lord Hugh Cecil think of that theory as applied to his ancestor, the great Lord Burleigh, who was the real founder in this country of the national system of commerce and maritime policy? The more strenuous and taking of "the twins"¹

¹ The term applied by Mr. Chamberlain to Lord Hugh Cecil and Mr. Winston Churchill.

struggles to array his mind in the second-hand clothes of the Manchester school, just as the general world is casting them off, and he tries to look as though these early Victorian garments had always been the only wear of his house. The mercantile system as applied by the first and greatest of all the great Cecils was sound political economy in ruff and doublet. It was simply a policy of leaving nothing undone that could conduce to the defence and progress of the realm. It was precisely what we hope to make the policy we advocate to-day—a practical policy entirely free from pedantic abstractions, and endeavouring to deal to the best advantage with the patent facts of a very stirring world.

Burleigh found our trade carried on by foreign shipping—he found the country supplied with foreign manufactured goods, largely dependent upon continental manufacture even for its apparatus of war. Until those conditions were changed we could not begin to dream of Empire. Burleigh encouraged Englishmen and aliens to improve home industry; he broke the German shipping by which we had been almost exclusively supplied; and he brought over German gunmakers, on the contrary, to teach us how to make our own guns. The result was that in a few years we had the best ordnance in Europe. We crushed the Spanish Armada by superior gun-power even more than by superior seamanship, as Professor Laughton has shown. After that, but only after, we could dream of trade and Empire to any extent. National development, happily for every Englishman

since, had made it possible for the island to become the nucleus of ocean commerce and oversea dominion.

In the following century we had in the Navigation Laws the most energetic system ever adopted by a nation to secure the development of its shipping at the expense of its rivals. I need say nothing in defence of the Navigation Laws, since we have the combined testimony of Adam Smith and John Stuart Mill that they were the wisest of all the commercial regulations of England. If they were politically right they could not be economically wrong. When Adam Smith said that "defence was more than opulence," he hardly put the case with sufficient force. Defence creates opulence just as defeat works ruin. The power of nations, to state the maxim by which the commercial policy and the economic theory of Germany, for instance, are governed to-day, —the power of nations in the modern world is the main factor in increasing the wealth of nations. Sedan made Germany richer to an immense extent than she had been. A sea-Sedan such as inspires the dreams of the German Navy League would make her richer than we are.

Take a step forward in the study of the national system, and again we see that the great Chartered Companies were created by the State as part of the whole machinery for developing markets abroad with the reflex effect of developing industry at home. Take manufacture. Walpole in the King's Speech for 1721 showed a complete grasp of the main fact upon which the modern theory of a scientific tariff

depends—that the fullest development of manufacture in a country like ours is promoted by the largest import of raw material as a means to the largest and cheapest production of finished articles. The attitude of Chatham and the statesmen before him towards the Colonies was governed, and far too rigidly governed, by the same idea—that we should receive from the Colonies raw material, exotic produce and non-competitive articles generally, and that we should send our manufactures to them. “The Minister who neglects any just opportunity of promoting the power or increasing the wealth of his country is to be considered as an enemy to his fellow-subjects,” declared the Cornet of Horse at the outset of his parliamentary career. Cobdenism would have approved the observation about wealth, and would have left out the reference to power, losing precisely by the omission what we may call that organic conception of national development as a whole which made mercantile statesmanship great in practice despite all defects in theory. Chatham, however, never thought of asking whether his theories were right or wrong. The self-conscious attitude towards political economy came later. Chatham was solely concerned with doing the effectual thing in a given situation.

The disciples of *laissez faire* ridiculed the attempt of the national system to monopolise markets. But the simple question of practical policy during all these generations was this. When all nations monopolised the markets they controlled, the question which country should control the largest market was a decisive issue.

Upon the Cobdenite theory of the stupidity of our ancestors, we have all been brought up to believe that statesmen under the mercantile system were chiefly and absurdly preoccupied with attempts to secure the largest inflow and the least outflow of gold. Nothing perhaps has done more mischief than this caricature of the old national idea. Statesmen during the seventeenth and eighteenth centuries may have been preoccupied with the movement of bullion for the wrong reason, but it led them for many generations to do right things. Gold under the circumstances of that time was the real barometer of trade. When we were building up our industry we had to pay for our imports either with gold or goods. It was obviously far better that we should pay for them with goods. In a word, the object of the national system was that the foreigner should pay gold for our goods, rather than that we should pay gold for his goods. This involved a check upon foreign competitive power in order to provide a stimulus for our own competitive power. Or to put it another way. Before the rise of machine industry—temporarily upsetting the whole economic balance of the world in favour of this country—national aptitudes for manufacture were tolerably equal. When the gold-index showed that the foreigner was selling more goods to us than we were selling to him, it often showed the existence of a trade abroad, part of which we might collar for ourselves. It disclosed a direction in which development was still needed. The mercantile people thought it better to produce goods than to export gold, and that

conception was one of fundamental good-sense under the particular circumstances of their time. In one word, with respect to trade, sea-power, and dominion alike, to shipping, manufacture, and markets, the national policy was the principle of maximum development, as *laissez faire* is now rapidly proving itself to be the principle of least development. When they tell us that a particular state of the gold-index under the mercantile system was the whole object of that system, they might as well try to convince us that the weathercock is the cause of the east wind.

Such was the spirit of the national policy. What were the results? It gave us, even before 1846, a supremacy in trade, empire, and shipping such as the world had never seen before, and far more complete and secure than the supremacy we possess now. Friedrich List, writing a year or two before the repeal of the Corn Laws,—before the failure of the Irish potato, and the inconsequent triumph of the *laissez faire* doctrine,—said: “In no previous age has the world known in manufacture and commerce such a supremacy as that of England, disposing of such immeasurable forces and pursuing such a consistent and mighty policy in order to grasp the monopoly of manufacture, traffic, shipping, the possession of every important Colony in the world and the sovereignty of every sea. At all times there have been cities and nations distinguished above others in industry, commerce, and shipping, but such a supremacy as England’s the world has never yet seen.” These

were the Imperial results of the national or positive system.

Yes ; but I shall be very properly asked, What were the social results ? Remember that the Corn Laws¹ were no part of the mercantile system, though they are nearly always confounded with it. They arose separately, and at an altogether later date, out of the practical situation created in this country by the Great Wars. Some form of Corn Law was essential to steady the transition of agriculture from war prices to peace prices,—agriculture being at that time well-nigh as important as all other industries put together,—and to prevent a violent dislocation in the economic life of the country. Some form of Corn Law was essential, but a bad form of Corn Law was adopted ; and it entailed some grave evils of its own. But in spite of that fact, the condition of the English working classes before 1846 was immeasurably better than that of the similar classes abroad. This is brought out by a paragraph I chanced across the other day in Porter's *Progress of the Nation*,—a stiff Free Trade witness,—which proves that the wages of our workers in 1837 were four times or more what they were at the same period say in Saxony :

The manufactures [says Porter] are encouraged by the miserably low wages paid in Saxony. It is stated on the best authority that in October 1837, a man employed at his loom, working very diligently from Monday morning until Saturday night, and even at times with a lamp, his

¹ This sentence applies to the Corn Laws of 1804-1846, not to the Corn Bounty of earlier periods when we were still a wheat-exporting country.

wife assisting him in finishing and taking him the work, could not possibly earn more than 2s. 6d. sterling per week; and that another man who had three children aged twelve years and upwards, all working at the looms as well as himself, with his wife employed doing up the work, could not earn on the whole more than 5s. 4d. weekly.

Thus, even under the Corn Laws wages were at least four times, probably five or six times as high in this country as they were in Germany. There is no such disparity now. In 1846, upon the theory of the stupidity of our ancestors, and especially of Lord Hugh Cecil's ancestor, *laissez faire* kicked away the ladder by which we had risen. Foreign nations have since had similar ladders constructed. Germany, as the late Mr. Whistler said of nature, is "creeping up." Before 1846 we enjoyed a very close approximation to universal ascendancy. Our system was more efficient than the French because we alone realised what Colbert aimed at—mercantilism plus sea-power. This meant the fullest control of raw material, markets, and shipping. For three centuries, in short, England had pursued a policy of maximum development with all her strength. What have been the real results of sixty years of *laissez faire*?

III. THE RENEWED NEED FOR DEVELOPMENT

For a generation we throve mightily, but it was only while the foreign competition, already beaten down under our former system, continued to lie flat. We provided the world with railways and loans.

We created their competitive apparatus, and then they one and all adopted or strengthened Protectionist methods of working their competitive apparatus.

The main fact about our situation before 1846 was that our Imperial security and commercial supremacy were absolute in every possible respect. Wages were at least four times as high in this country as they were in Germany. The blots which disgraced our civilisation were chiefly owing to the fact that *laissez faire* meant the neglect of the people before it meant the neglect of the State.

Let us endeavour to tabulate, simply, the indisputable facts about our commercial situation in 1904. They may be stated as follows:—

- (1) Our manufactured exports to foreign countries have been stagnant for more than thirty years.
- (2) Our manufactured exports to the great protected countries have been slowly but clearly declining for thirty years.
- (3) Their manufactured exports to us have increased during the same period in geometrical progression—they have increased, are increasing, and ought to be diminished.
- (4) For some time the growth of our colonial trade compensated for the loss in foreign markets. But for two decades that trade also has been showing all the symptoms of arrested development. The recent spurt has been entirely due to the Canadian Preference clause and the South African War—the credit for which

cannot be attributed by any stretch of imagination to the principle of indiscriminate free imports.

- (5) Excluding South Africa, the truth about our exports of manufactured articles to foreign and colonial markets alike is that as a whole they have been totally stagnant during the greater part of the present generation.
- (6) In spite of the help which we derive from coal the United States is now first in the total value of its exports.
- (7) If Germany continues to gain upon us as she did last year, and as she has not ceased to do since Bismark abandoned *laissez faire*, Germany in less than ten years from now will either take second place or dispute with America the first ; and we shall be reduced to the third place as an exporting power.

These are the facts about exports. You will agree with me that they could hardly be worse—that the necessity for waking up in earnest could hardly be more urgent. But now take the Cobden's Club's tests. Take imports. Even upon the Cobden Club's own principle of balance the countries which develop the largest exports must in the end have the largest imports. Things are indeed most clearly tending in that direction. The facts about imports are :

- (1) In the last twenty years the United Kingdom has increased its total imports for domestic consumption by 30 per cent. Germany, in spite of her Corn Law and protective system,

has increased her total imports by close upon 90 per cent. And America, in spite of her M'Kinleyism and her vast internal command of food and raw material, has increased her imports by 40 per cent.¹

- (2) At that rate in a couple of decades more we shall be surpassed, by Germany at least, in imports as well as in exports, and therefore in total value of trade. That is a far more important point than any that has been made with respect to exports. For if Germany is to excel us in the total volume of her trade she must ultimately displace us in shipping.
- (3) An unmistakable index of the whole situation is that the imports of our competitors show their demand for the raw materials of manufacture to be expanding faster than our demand.

Again, I think the facts could scarcely be worse even with regard to imports. The most optimistic judgment that the Cobden Club can draw for us from its own tests is that it may be a few decades yet before we fall into the second-class position with respect to total trade and shipping. The third great department of the inquiry touches of course the home market. As to this we shall not possess the same plain data for comparison until Professor Hewins has

¹ IMPORTS FOR DOMESTIC CONSUMPTION.

	1883. Million £.	1903. Million £.
United Kingdom	361	473
Germany	161	299
United States	148	207

reported upon the labours of the Tariff Commission. But here again we can make without the slightest fear of contradiction some broad assertions of the most disquieting kind. Stating them as before we say :

- (1) That America and Germany in the last twenty years have developed their manufacture without sacrificing their agriculture. Their economic system is absorbing year by year a far greater increase of population than that for which we are able to find employment under the *laissez faire* system.
- (2) Every important British industry has weakened in comparative position during the last twenty years, and is still weakening.
- (3) In the manufacturing industry, for which we possess the greatest natural aptitude—I mean the iron trade—we have sunk to the third place. To put it that way does not show the full seriousness of the matter. Again, I will not trouble you with the figures, but what they will show is that, in 1880, we still made nearly as much pig-iron as the rest of the world put together, twice as much as the United States, three times as much as Germany. Now we have been immeasurably distanced by the States. We were finally and far outstripped last year by the Fatherland. Our output, which was larger a couple of decades ago than that of both these countries combined, is now only a quarter of their combined production. They are bound

to pour their surplus of iron and steel into our market, just as they poured in their surplus of corn and sugar, and the iron trade is bound to be wrecked just as our agriculture was swamped. This fact alone would mean that the centre of our industrial line is being driven in before our eyes, and that we have reached the critical point in the economic life of England.

We can sum up the whole matter with regard to the home market and national production in this way. America and Germany have increased their manufacturing output beyond comparison more rapidly than we have. Exclusion from their markets has restrained our output. Access to this market has promoted theirs. But—and here we come at once to the foundation principle of constructive economics—the larger the output the lower the cost; the larger the output the larger and cheaper, relatively, the export surplus. The larger and cheaper the surplus the more they will dump if this market remains open, and the cheaper they will dump. Look at it as we like, and we shall see that *laissez faire* promotes the production of our rivals and restricts our own. It claims the name of Free Trade, and produces the characteristic effect it attributes to Protection. Free imports have in reality produced a more far-reaching check upon British trade and industry than the restrictions Cobdenism removed¹ when it swept away

¹ As Dr. Cunningham admirably puts it, the conditions of our industry are now “dictated” to us by foreign nations.

the whole of our historic policy, the good and bad together, the parts of it that had become a clog upon our commerce as well as the parts of it which ought to have been retained as a safeguard and a stimulus. In 1846 everything was secure after three centuries of ancestral stupidity ; in 1904 everything is jeopardised after sixty years of concentrated wisdom and enlightenment.

We shall find this contrast to be due largely to the fact that before the *laissez faire* era, statesmen never forgot that in political economy the political comes first. *Laissez faire* attempted political economy with the politics left out.

IV.—THE THEORY OF NATIONAL DEVELOPMENT

The classical economists sincerely believed that they were the people, and that wisdom should die with them. It is important to examine their principles, and to probe the errors of thinking which led their expectations to miscarry. Cobden is justly blamed for his false prophecies because they arose almost entirely from the false principles of that buoyant and vigorous empiric.

Upon the theory of free imports our case ought to be that of Eclipse first and the rest nowhere. The Protectionist nations ought to have taxed themselves to death, under the delusion, as the Americans say, that they were lifting themselves by the straps of their boots. The pernicious thing Protection ought to have neutralised all America's natural resources ; a

sickly dependence upon the State should have made the American capitalist languid and the German manufacturer incompetent. If Germany has superior technical education, if her whole industry, as we are told, is more intelligently organised than ours, the first result should have been to expose to Germans the evil of their ways and to wean them from perverted ingenuity in fighting against their own interests. German imports ought certainly to have declined when they adopted the tariff and stopped British dumping. Their exports, upon the famous principle of balance, should have declined with the imports. In the home market, Protection ought to have meant limited consumption and reduced production. The healthy pressure of unlimited foreign competition, on the contrary, should have kept the British manufacturer strung up to the highest pitch of superior activity and intelligence. The more our rivals disabled themselves by the so-called restrictive system, the more our trade ought to have bounded. We ought to have swept our competitors long since out of every neutral market in the world.

Such was the prophesied result. The actual picture presents an unsatisfying substitute. We shall most clearly grasp the principles of constructive economics by showing what were and are the fallacies of destructive economics. They can be compressed into a single sentence. The classical economists, like our contemporary Cobdenites, forgot the fundamental distinction between raw material and manufacture; they never made and never attempted to make a

thorough analysis of foreign trade in its competitive aspect ; they almost ignored the fact—for us gigantic—that foreign trade had a competitive aspect ; they advocated the same treatment for competitive and non-competitive imports ; they no longer made any real distinction between the things that are partly destructive and the things that are wholly and entirely beneficial ; and, far above all, the *laissez faire* school, turning their back upon the whole history of their own country, overlooked the ability of States pursuing a positive policy of economic development to create competitive power where it had not existed. *Created* aptitude in the modern world is as conspicuous a factor as natural aptitude.

Hence the code of orthodox dogma that we are bound to criticise with profanity. Take first the idea of *laissez faire* itself with reference to foreign trade. This idea finds its best expression in a statement attributed to Lord Grenville, which I have taken from a famous protest in 1815 against the Corn Laws, “Public prosperity,” it says, “is best promoted by leaving uncontrolled the free current of national industry.” Fair words ! The Cobden Club thinks that something has been done to realise them. But it takes two to make a Free Trade bargain, and other countries have always refused to strike one with us since the competitive era began. In other words, it takes two to remove restrictions upon exchange—that is, upon the “current of national industry” flowing out into the channels of foreign trade. It takes two to set that current free. Free imports into

this market have enabled foreign Protection to develop with impunity, with the result of checking the sale of British goods abroad, and sending competitive imports here to check the sale of British goods at home—a double check through foreign legislation upon the output of British goods. Foreign tariffs acting directly upon this market through indiscriminate free imports exert a very powerful influence upon the operations of British capital and industry, which are being gradually forced out of the more natural into less natural channels. There is no *laissez faire* in foreign trade. The system we call *laissez faire* is simply one which leaves foreign restrictions free to act most adversely upon our commerce. The paradox of *laissez faire* is that, by comparison with our protected rivals, our competitive power is knee-haltered.

Thus, free imports are the principle of least development because they limit our market to the utmost, and at the same time expand the markets of our competitors. America and Germany, while keeping a firm grip of their home markets, enjoy in neutral markets the most-favoured-nation clause just as we do, and get more practical benefit out of it, since it is they who in the course of their tariff negotiations actually adjust the most-favoured-nation clause to suit their own trade. They enjoy also the absolute freedom of this vast consuming centre. They have monopoly at home, equality abroad, and an enormous privilege in this market, for which they concede nothing corresponding. Again, let us note that political economy wholly ceases to be a dismal

science, and rivals the gay one when the chief Protectionist Powers enjoy most Free Trade, having their imports mainly free and a large proportion of their exports free also.

Let me state here a first positive principle. We cannot claim to force our goods upon foreign nations who desire to manufacture their own just as we do. For this reason the half-way house of retaliation must ultimately be advertised to let. We cannot get Free Trade for Free Trade. That we know. "Retaliation," therefore, must come to the alternative—tariffs for tariffs. Our first constructive principle is that when foreign nations use their power to contract our market abroad, we must, to begin with, use our power to extend our market at home.

This brings us at once to another of the celebrated sophistries. I quote it from the great petition¹ drawn up by Tooke and presented by the City of London in 1820. It tells us—"The maxim of buying in the cheapest and selling in the dearest market, which regulates every merchant in his individual dealings, is strictly applicable as the best rule for the whole nation." That celebrated form of words has simply no application to the conditions of British business. It is more and more a question to-day of buying in the cheapest market and selling in the biggest, upon the principle of small profits and largest transactions. It is the foreign manufacturer who buys in the cheapest market and sells in the biggest. Have our Cobdenites ever considered

¹ See Appendix.

the full meaning of the fact that raw material is free under every scientific tariff? Nearly half the imports, roughly speaking, of America, half the imports of Germany, far more than half in the case of France, consist of raw material; those Powers enjoy free imports of all that can develop a trade without hurting any other trade. Thus American manufacturers buy their raw material as cheap as we do. The Germans also buy their raw material as cheap and their labour cheaper. But when it comes to disposing of the finished product and selling it in the widest market they have the conquering pull. America has the whole of her own market and ours—free sale among 120 millions of people. Germany has the whole of her own market and ours—free sale among 100 millions of people. Our only field of free sale is what we share with the other two in this market of 40 millions.

We can no longer afford to give America and Germany points in the game; and to secure equal opportunity for British capital and labour to compete with the protected nations, we must continue to admit raw material as freely as they do, but must restrain the sale of their manufactures in order to increase the sale of our own.

A third principal fallacy, stated by John Stuart Mill, is that either the consumer must bear the tax owing to a rise in prices, or else Protection will not protect. "In the case of manufactured goods," says Mill, "the doctrine of taxing for revenue and protection simultaneously involves a palpable incon-

sistency. . . . The object of the duty as a means of revenue is inconsistent with its affording incidentally any protection. It can only operate its protection in so far as it prevents importation, and to whatever degree it prevents importation it affords no revenue." But this is really a purely verbal dilemma unworthy of so acute a mind, and unworthy, by the way, of Lord Goschen's, who tries to make great play with this point against Mr. Chamberlain's Budget. Where the tariff is well adjusted it is certain that either the foreigner will pay the tax or we shall take the trade. The foreigner can only come in to the same extent at the same price. Part of that price must pass into the Treasury, where none of it went before. The tariff brings a fiscal squeeze to bear upon the profits of every foreign manufacturer who succeeds in forcing competitive goods through it. In these days such a relief of taxation without decrease of revenue is a very important gain indeed to economic life. Two and a half per cent wrung from the sufficiently prosperous pockets of those who now send every year £140,000,000 of wholly and partially manufactured goods into this country, would cover every year the complete cost of three new battleships. One of the principles of constructive economics therefore is that from a purely revenue point of view a moderate tariff levied upon foreign competition is a wise and sound substitute for twopence upon the income-tax.

But when we have cleared away the sophistical superstructure of economic platitude, we touch the

fallacy that forms the very groundwork and foundation of the *laissez faire* creed. Dispose of this, and the whole doctrine of free imports collapses. What we are coming to, it is hardly necessary to say, is the theory that imports must be balanced by exports, and that you cannot have imports coming into the country without creating a trade to pay for them. The Cobdenite contention, in a word, is that it does not matter what you import nor how you pay. They refuse to consider the character of the trade. It would be as wise to assure an invalid that so long as he absorbs something into his system powdered glass is as good as boiled chicken. Constructive economics depends as a matter of practice upon drawing a firm and radical distinction between competitive and non-competitive imports—between those which injure some to benefit others and those which benefit everybody and injure no one—that is to say, we recognise a vital difference between the imports which are partly destructive and those that conduce entirely to the industrial development of the nation. As regards the pure theory of the thing, we know that by exporting a sufficient quantity of our coal in a single year we could import sufficient foreign manufacture to extinguish all British manufacture. Exports and imports would still balance beautifully according to the principle. Consider again the obvious fact that in a long course of trade between two countries, the one may rise from an agricultural to a manufacturing status, and the other country may decline again from manufacture to agriculture,

exports and imports balancing all the time; while these two nations nevertheless end by entirely reversing the *rôles* they began with in the process of exchange.

From this point of view trace out the real idea suggested by this symmetrical doctrine. It is that if exports and imports balance there must be equal benefits conferred upon both sides of the trade. A little thought, however, will expose the really extraordinary error of reasoning here. Suppose you get iron from Germany and ship in exchange coal. The benefit to German manufacture is unmixed. But in this country the iron taken in exchange may close a British ironworks, disbanding the labour employed in it, wasting part of the capital that was sunk in it, and perhaps driving the remainder of that capital clean out of the country. Thus, upon our side, the loss in the iron trade may not only wipe out the profit upon the coal shipment, but may leave us with a serious balance to the bad. It is entirely untrue therefore that the law of equality between exports and imports means a law of necessarily equal economic gain to the countries concerned. Protectionist nations take care to get the maximum benefit from every transaction by encouraging the imports that serve the purpose of development sole and simple, and by restraining the imports that may injure or destroy one home industry by the very same act with which they excite a corresponding export upon the part of some other home industry. I do not know if I have yet made this

point perfectly clear, but let me try to put it in another way.

Suppose the profit to be equal on the goods of equal value exchanged. The protected countries make their profit upon any one trade with the very least exposure to loss upon any other trade. The Cobdenite country makes its return profit upon any trade with the maximum liability to loss upon some other industry. Germany makes a thousand pounds, say, upon her shipment to us of competitive manufacture. We may make also a thousand pounds upon a balancing export like coal, but may simultaneously lose a thousand pounds through injury to some collateral industry by the German competitive import. There can be no equal benefit so far as the nation as a whole is concerned until we place as effective a check upon foreign competitive imports as they place upon our manufacture, and adjust our fiscal policy as they do to secure that the profit of one trade shall be earned with the minimum liability to loss upon another. In the theory of balance the classical economists only considered the reflex action of imports upon exports. We have to consider the intermediate loss that may be involved by the direct action of the competitive import upon the particular home trade against which it competes.

Cobden had a masterly grasp of the modern Protectionist principle. He owed his success to that fact. He understood that what you exchange for what makes all the difference to your industrial position. His ideal—we cannot too often repeat it—

was to exchange cotton for corn—to export manufactured goods and to import food and raw material. The serious fact we have to deal with now is, that we take more manufacture from our protected competitors than we sell to them. If we are to keep the high industrial place we have held we must endeavour like our rivals to increase our exports of manufacture and to check our imports of manufacture.

The natural process of imports and exports should correspond as far as possible with the alimentary processes and the consequent productive exertion of the human economy. The prevailing opinion throughout the civilised world in favour of the so-called Protectionist system, which is really a bad name for a creative or progressive system, will be found to be based upon the conviction and experience that the action, the positive policy, of the State, in this matter, is essential to the fullest development of the nation, and that the unlimited import of foreign manufacture in respect of articles for which the home country is equally adapted, does most effectually diminish or restrain the productive power of home manufacture.

It may be clearly demonstrated that injury to any established industry involves some permanent national loss, and that a manufacturing country can derive no compensation for having its aptitudes for manufacture discouraged in any particular. In face of the steady backing given by foreign tariffs to foreign competition no wise State can maintain an attitude of fiscal *laissez faire* or can abstain from

parallel action for the security and progress of home production. Practical policy will place a firm check upon the destructive possibilities of finished imports, and will encourage the developing power of raw imports, to the utmost.

The case therefore lies in five words. "Protection" is progress: "Protection" develops. Only so far as the thing is a real method of progress and development are we in favour of it. Where it is resorted to by some countries it becomes indeed the only possible principle of development for other countries. This is all admirably condensed by the famous heretical paragraph in John Stuart Mill's *Political Economy*—the paragraph which John Bright said, quite truly from his point of view, would do more harm than the rest of the two volumes would do good. What Mill begins by admitting is, that Protection is defensible for the industrial development of a new country. But the reasons he goes on to adduce prove it to be equally defensible for the further development of an old country.

He says, "The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire may in other respects be better adapted to the production than those which were earlier in the field; and besides nothing has a

greater tendency to promote improvements in any branch of production than its trial under a new set of conditions." That is all most just and true, but now come the really important words: "It cannot be expected that individuals should at their own risk, or rather to their certain loss, introduce a new manufacture." With all the qualifying words in which this statement is wrapped up nothing can change its meaning. The chain of reasoning which we are bound to draw from it runs as follows:—

- (1) That Protection develops.
- (2) That countries, instead of having natural aptitudes for separate employments, may have identical aptitudes for competitive employments—this being indeed the dominant fact in the industrial world of to-day.
- (3) That aptitudes being otherwise equal, Protection must give the decisive advantage to the protected manufacturer.
- (4) That under a Free Trade system a country cannot have new industries—one means of development being therefore closed to it.
- (5) That some of its capital will probably be sucked away from home investments to the protected areas—since Mill explains clearly that Protection attracts capital by the security it affords—another means of development being lost to the free-importing country.
- (6) That you can create competitive power by Protection.

- (7) That you can therefore improve competitive power by the same means.
- (8) If capital must have equal security as against its competitors to induce it to create an industry, it must have the same security to remain in an industry or to extend one. The security of capital means the efficiency of capital, the encouragement of enterprise, and the progress of industry.
- (9) Upon Mill's principle, if you can obtain equality by Protection as against a free-importing country, you can secure superiority by it. If it admittedly raises you from a lower to a higher plane of economic life, the level at which you can be legitimately expected to stop is beyond the competence of any Cobdenite to define.
- (10) While there is any latent capacity to develop you ought to go on developing.
- (11) Protection upon these principles should act as we know it does. Its defect is not on the side of under-production, but on that of over-production. Its danger is not that it restricts, but that it tends to develop too much.

Well, that is a complaint which we should be glad to see national industry contracting. If occasional periods of over-production were a sign of decay instead of vitality, shipbuilding, exceptionally subject to expansion and contraction as it is, should be our weakest industry, instead of our strongest industry

relatively to our competitors. Over-production is a certain sign of great progressive energy.

The future of national industry depends in my conviction upon the more powerful application of national capital to national business. We must increase to the utmost the scope for investment and enterprise throughout the Empire. Although the total population of America and Germany surpasses our own, the whole relative excess of their people, or perhaps more, is still engaged in agriculture. Our purely industrial population is still as numerous as that of either of the United States or Germany. Upon the other hand, our accumulated wealth is probably still greater than that of America, and in any case is far greater than that of Germany.

What we want is to multiply the productive force of our population by the fullest use of our far greater wealth per head—in other words, by the highest co-efficient of machine-power. We need a greater concentration of our own wealth upon our own purposes. We wish to secure, as we have every opportunity to do, a renewed attraction of foreign enterprise and skill. If we want to have again the most vigorous progress and the most up-to-date methods, we must induce capital to embark upon large expenditure. We cannot obtain that result without offering capital in this country some such security as it enjoys elsewhere. We shall never persuade capital to make investments that dumping may destroy. Enterprise cannot be as alert, inventive, sanguine, and self-confident in this country as

it is where it is necessarily far more certain of its returns.

An examination of the psychology of Cobdenism would deserve a volume to itself, and would be found a very important branch of the practical question. No one, we may presume, will be found to deny that in every country which admits the raw material of industry free, but discriminates against foreign finished goods, the activity of capital is encouraged—that in other words the creative element in national industry is stimulated—to a greater extent than can be possible under indiscriminate free imports. Cobdenism admits the fact clearly when it declares that capital under the tariff is stimulated at the expense of the consumer. But if capital is stimulated at all its operations must be extended; its effect in developing the productive capacity of a country must be more powerful; it must afford the maximum amount of employment; it must tend to raise wages by the most certain of all methods—that of increasing the demand for labour; and it is not possible that the consumer upon the balance can lose by it, if this chain of reasoning is sound. It will be admitted that the populations of the United States, Germany, France, Italy, Belgium, and so on, never enjoyed since 1846 so high a degree of relative prosperity by comparison with ourselves as they do now.

The psychology of Cobdenism believed that security was enervating, and that the process of subjecting our industry to the unlimited competition of the world would have an especially bracing effect. The

facts we have to confront, on the contrary, are, that enterprise in America and Germany is carried on with extraordinary efficiency, and that British manufacturers are accused of lethargy and backwardness. This is not mainly due to any inherent defect of mind, but is mainly due to the lack in this country of equal competitive conditions, of equal inducement to equal enterprise. For the rest it is a perfectly well assured fact that many foreign manufacturers carrying on in the United Kingdom a trade which they do not intend under any circumstances to sacrifice, would be forced by the tariff to found branch establishments in this country, producing here goods that are now made abroad.

The principle of maximum development demands—the truism is almost too elementary to repeat—the maximum efficiency of capital. We can never have the maximum efficiency of capital so long as enterprise is less encouraged in this country than in competitive countries. Upon this point, Mill's admission that you cannot fairly expect new industries to be established under free-importing conditions is sufficient of itself to settle the question.

But the maximum efficiency of capital means the maximum provision of employment, and the maximum rate of wages relatively to the supply of labour. That is where the consumer comes in. In this country the people control their government more directly and certainly than does any other nation whatever. Again, the trades unions, owing partly to their political, partly to their economic power,

form the strongest check conceivable under democratic conditions upon the power of combined capital. With us, there can be no increase of profits without a fully proportionate increase in wages. Mr. Winston Churchill, in that favourite speech of his which at judicious intervals he repeats apparently word for word—as regards the peroration certainly word for word—to audiences throughout the country, sums up his case in some such terms as these: “To say that Protection can secure an increase of wealth is a profound economic fallacy—to say that it means a better distribution is a downright lie.” If Mr. Churchill would consent to discuss the matter with more attention to modern things and less to traditional names; if he could realise that this controversy is not one between Free Trade and Protection, but between the system of all-free imports and the system of largely-free imports,—the vigour of his vocabulary would be abated and his conception of economic possibility enlarged. That the policy of maximum development as embodied in a scientific tariff can secure an increase of total wealth is a profound economic fact, most brilliantly demonstrated in Germany since 1879. But that increase of national wealth would mean a larger distribution of wealth among the people is what the conditions of this country make certain.

V. THE URGENCY OF IMPERIAL DEVELOPMENT

The argument widens at this point. To us, the principles of constructive economics are mainly or exclusively important for their bearing upon the unity, the security, and the development of the Empire. Thus far we have considered their application to the United Kingdom only. Even from the purely Imperial point of view this is half our subject. Now, and for some period to come, the maintenance of the Empire must depend to an overwhelming degree upon the power and wealth of the island. I need not urge here the converse truth now to engage us—that the power and wealth of the island must depend at no very remote date upon the maintenance of the Empire. At present we are in every respect the heart of our own dominion. The physiological system of the Empire, as it were, must be considered as a whole by any statesmanship inspired by a spark of imagination or clarified by one scintilla of insight into the factors of international policy and the conditions of our existence as a world-Power. The heart must be a healthy and vigorous organ. Fatty degeneration there would be fatal to all our political hopes as an Imperial people—fatal probably to some of the Colonies—fatal perhaps to the English idea itself.

The chief object of this Club is to urge that the nation cannot limit its view of economic policy by an insular horizon. Did we attempt once more to lead

an isolated life we should realise at once the disadvantages of being an island and a small one. There are some disadvantages. We have no hinterland. Nature has fixed our bounds. We cannot incorporate an inch of European territory not at present belonging to the United Kingdom. Railways through Europe and direct shipping services are diminishing our importance to the Continent even as a warehousing centre and place of transhipment. Germany, Russia, Austria - Hungary, and even France have elastic frontiers. The home territory of some or all of these may yet be enlarged by considerable, perhaps remarkable, accessions. The success, for instance, of the pan-German movement which is the natural form of German Imperialism, would at once create a Central European Empire, with a white population larger than that of the United States, stretching certainly from the North Sea to the Adriatic, perhaps from the North Sea to the Bosphorus. This would place a greater European sea-power than any that has yet existed except our own, upon the flank of the route to India and of all our Imperial communications. Such a development of European politics is a practical contingency no less possible than was the partial union of 1870. Again, the ultimate incorporation of the whole or part of Belgium into France is a perfectly thinkable thing.

The island cannot increase its size in that way. Left to itself it would inevitably become a Power of the second class, and afterwards of a lower class. Within the time of those now living, it would be sur-

passed, as we have seen, by at least one other European State in manufacturing population, in manufacturing production, in the total volume of its trade, in shipping, in naval power. Even the national independence of the island, if not one shred of dominion over sea remained, could not be permanently maintained. Without supreme sea-power, we might defend the shores of Great Britain—not those of Ireland—by military means. But we could not secure our supplies of food and raw material. Any nation displacing us in the sovereignty of the sea could sever the arteries of our economic life at will. Isolated, in a word we should sink to Holland's place. It is not enough to realise that without the Empire we should cease to be Imperial. Without the Empire we could not be independent. If we ever slip from the height to which we have risen we must fall far. We must bring the people to realise that the Imperial matter is the National matter. Our supremacy in sea-power and sea-trade cannot be preserved, as I shall endeavour to show, except by the co-operation of the Colonies and by the development of the Colonies—in other words, by the application of the principles of constructive economics to Imperial policy.

It is important here to obtain a clear view of the attitude of the Cobdenite movement towards the Empire. We all understand that the policy of free imports was more or less connected with anti-Imperial opinions. It was a reaction against the mercantile system of which the old form of colonial reciprocity, with its singular mixture of sense and error, was an

integral part. Hence the necessity for all the early free importers to disparage the Colonies. If they were to ensure the triumph of their creed they had to contend not only like Turgot that "Colonies are fruits which cling till they ripen," but that Free Trade would make foreign markets more lucrative than markets under the flag. The enormous difference between Free Trade and free imports lies precisely in the fact that while the one secures the desired access to foreign markets, the other does not. The only markets in which modern nations can make themselves secure are their own. In the seventeenth and eighteenth centuries our ancestors were in the same situation. The colonial part of the mercantile system, like the other parts of that system, sprang out of the requirements of practical policy under the circumstances of their time.

Nothing of this was recognised by the leaders of the Free Trade movement; and to realise the intensity of feeling and conviction with which the *laissez faire* principle was combined with the Little England principle, let us attend to a few of Cobden's sentiments upon the subject of the Empire. His whole belief is summed up in the well-known letter of 1842 :

The Colonial System, with all its dazzling appeals to the passions of the people, can never be got rid of except by the indirect process of Free Trade, which will gradually and imperceptibly loose the bands which unite our Colonies to us.¹

¹ Morley's *Life*, vol. i. p. 230.

Cobden goes to Malta, and observes :

The Malta station is the hotbed for naval patronage and the increase of our ships of war . . . unwise to encourage the increase of the Navy, parents might find a much better field in unsettled regions abroad.¹

He beholds Gibraltar, and the Rock inspires him with the notable remark that :

England at Gibraltar is a spectacle of brute violence unmitigated by any excuses.²

Mr. John Morley is himself so sympathetically moved by this vigorous thought as to add upon his own account that

If England had not possessed Gibraltar, she would not have been tempted to pursue that turbulent policy in the Mediterranean which is still likely to cost her dear.

As a means of inducing the Continent to understand Free Trade, writes Bastiat, "England ought seriously to disarm." Cobden so far agrees with his correspondent that, after the Repeal of the Corn Laws, searching for more abuses to demolish, he proposed in 1848

to reduce the Army, Navy, and Ordnance from £18,500,000 to £10,000,000.³

Investigation presently leads his logical mind further : he declares that

Before you can rationally hope to reduce the Army or

¹ Morley's *Life*, vol. i. p. 86.

² *Ibid.* p. 106.

³ *Ibid.* vol. ii. p. 34.

the Navy you must bring the public mind to agree to the abolition of the Militia.¹

These opinions culminate, shall we say, in the following comprehensive damnation of British history :

Unlike every other people we have during seven centuries been fighting with foreign enemies everywhere excepting on our own soil. Need another word be said to prove us the most aggressive race under the sun? The Duke's career [he means the Duke of Wellington] is no exception to this rule. His victories in India were a page in those bloody annals for which God will assuredly exact a retribution from us or from our children . . . and his triumphs upon the Continent can never be truly said to have been achieved in defence of our own independence or liberty.²

To this decided mind our rule in India is one of unmitigated iniquity. During the Mutiny, with his usual extraordinary proneness to prophecy and extraordinary inability to predict, he declares :

There is no future but trouble and loss and disappointment, and I fear crime in India ; and they are doing this country the greatest service who tell them the honest truth according to their conviction, and prepare them for abandoning at some future time the thankless and impossible task.³

That is a sentiment which Cobden is constantly repeating and under-scoring up to the end of his life :

You know my opinion of old, that I never could feel any enthusiasm for the reform of our Indian Government,

¹ Morley's *Life*, vol. i. p. 119.

² *Ibid.* p. 133.

³ *Ibid.* p. 208.

for I failed to satisfy myself that it was possible for us to rule that vast Empire with advantage to its people or ourselves. I now regard the task as utterly hopeless.¹

Once more :

Is it possible [inquires the father of free imports] that we can play the part of despot and butcher there without finding our character deteriorate at home ?

Finally, Cobden summed up the case for abandoning India in the following words, uttered only a year before his death :

We are governing India. The world never saw such a risk as we run with 130 or 140 millions of people near the Antipodes, ruling them for the sake of their custom and nothing else. I defy you to show that this country has any interest except by the commerce we carry on there. I say that is a perilous adventure quite unconnected with Free Trade, wholly out of joint with the recent tendency of things, which is in favour of nationality and not of domination.²

It would be as true to say that we have no interest in India but its custom, as to say that Milton had no interest in *Paradise Lost* beyond the five pounds he got for it from the publisher. But now, to close this review of the antagonism to Empire with which the policy of free imports was inseparably associated, let us recall the kind of opinion with which Cobden was inspired by the prospect of Canadian Federation :

¹ Morley's *Life*, vol. ii. p. 213.

² Thorold Rogers, *Cobden and Political Opinion*, p. 224.

In my opinion it is for the interest of both that we shall as speedily as possible sever the political thread by which we have been connected, and leave the individuals on both sides to cultivate the relations of commerce and friendly intercourse as with other nations. . . . I have felt an interest in this confederation scheme because I thought it was a step in the direction of an amicable separation.¹

Whether with respect to Canada, India, Gibraltar, Malta, the Navy, Army, and Militia, the aristocracy, or the Duke of Wellington, Cobden's mind was all of a piece. A fraternal spirit like Bright's denied sea-power itself as an immoral thing.

Inasmuch as the supremacy of the seas means arrogance and the assumption of a dictatorial power on the part of this country, the sooner that becomes obsolete the better. I do not think it is for the advantage of this country or of any country in the world that any one nation should pride itself on the supremacy of the sea.²

It is hard to imagine how any sort of influence upon British policy could ever have been exerted by men holding such anarchist conceptions as these, and clinging to them with a courage and fidelity which may well serve as a shining example to us. But such views unfortunately succeeded not only in tincturing public opinion, but in pervading Government departments. They became the accepted creed among the school of permanent officials who until very recently had their hands upon the whole machinery of the State.

¹ Morley's *Life*, vol. ii. p. 470.

² Bright's *Speeches* (Macmillan, 1869), vol. i. p. 145.

I go very far with you [said Lord Blachford, a permanent Under Secretary of State, writing to Sir Henry Taylor, one of the most powerful officials in the Colonial Department]—I go very far with you in the desire to shake off all responsibly-governed Colonies, and as to North America I think if we abandon one we had better abandon all.¹

So late as 1864 Sir Henry Taylor himself could write to the Duke of Newcastle, the Colonial Secretary at the time, in words like the following :

As to our American possessions, I have long held and often expressed the opinion that they are a sort of *damnosa hereditas*; and when your Grace and the Prince of Wales were employing yourselves so successfully in conciliating the colonists, I thought you were drawing closer ties which might better be slackened.²

Cobden himself hated the Empire with the whole vehemence of his heart. The entire Manchester school disliked the Empire and disbelieved in it.

What is really important to note is that such politics were the logical development of such economics. If you thought the existence of the British Empire a political mistake with a certain amount of moral obloquy resting upon it, you were right to support the economic measures through which it might be soonest dissolved. If you thought from the economic point of view that foreign nations were going to throw open their markets more and more widely to British trade, that the connection with the

¹ Bowen's *Thirty Years of Colonial Government*, vol. i. p. 1.

² Bowen, vol. i. p. 4.

Colonies gave you of itself no special commercial advantage, that separation would promote peace and retrenchment by removing causes of quarrel with foreign nations and enabling the Army and Navy to be reduced—then it necessarily followed that the existence of the British Empire was a political mistake. The ideal of universal Free Trade depended strictly upon the ideal of universal peace. Both were equally persuasive and both are equally remote. Universal peace will only be possible when the lines of the map have been finally adjusted, and no powerful nation owns what any other powerful nation covets. In the same way universal Free Trade will only be possible when every nation has reached full development; when industries no longer tend to shift their centre of gravity from one country to another; when, in short, international commerce has ceased to be in any very important degree competitive, and when a real and permanent division of employment has been actually created. Upon the whole, comparing the ideals of universal peace and universal Cobdenism, the latter aspect of the millennium seems considerably the further of the two. The only way of attaining it was then and is still for some nations to renounce development.

We know, after the experience of half a century from the era of glass exhibitions, that the life of peoples, like that of individuals, is a thing in flux. There is a struggle for existence between nations as between men. Political ambitions overlap. The Powers tend to trench upon each other's margin of

subsistence. Positive policy, as we have seen in the last generation, still from time to time creates new States, and old ones are at intervals overthrown. The world's destinies are still decided, as now in the Far East, by war. Modern Japan is entirely the creation, not certainly of *laissez faire*, but of Government action, its political and commercial power developing simultaneously, its economic future being dependent upon its fate in arms. It repeats in this way the history of England under Chatham and that of Germany under Bismarck. Cobden's idealism was a mist of roseate illusion, concealing from him in their stern permanence the stronger lineaments of human nature and human nations.

This Club, on the contrary, takes a creed of Empire as its reason of being. We know that no dominion has ever depended upon liberty so complete wherever liberty may be conceded, or upon power so just where power must be exercised. We believe that the British Empire represents the greatest secular agency for good that has yet existed. That it should continue is, we think, of considerable moment for the better and more interesting future of mankind, no less than necessary for the political safety of our self-governing Colonies, and for the interests of these islands in their local character as a great European State. Unlike Cobden and the Manchester school again, we think the British Empire to be not an unnatural but a practicable system, its extremities, while we retain supremacy of the sea, being far more freely and intimately connected by water than are, for

instance, the extremities of the Russian Empire by land.

But everything at present is in the experimental stage. As the result of reverses of fortune it is still possible that Canada might cease to be Canadian, that Australia might become a yellow continent, that South Africa might even yet be German-Dutch, that India might pass to who knows what new masters, that England herself might become the Holland of the twentieth century. The British Empire is a thing which may dissolve with strange completeness, or may steadily solidify into all we hope, if we begin even now where we ought to have begun long ago.

Nothing could in the deeper sense be less true than Seeley's idea that the Empire was acquired in absence of mind. We really acquired it by a most competent application of mind to the business. That competent application consisted in the efficient attention of our ancestors, from Burleigh's time onward for two centuries and more, to the "sea-affair" and the "trade-affair." Only by a similarly active and vigorous management of both the sea-affair and the trade-affair can we maintain the Empire as successfully as it was founded.

The British Empire is as susceptible as any other State to the strengthening influence of right policy, and is as liable as any other to be destroyed by bad policy or the absence of policy. It has, however, no time to lose.

We are not very much afraid of the Empire being

disrupted by any spontaneous movement from within ; but we have to concern ourselves more closely with the danger of its being disrupted from without, whether by armed attack or economic temptation. Some main considerations will show conclusively that we cannot pretend to deal even temporarily with the industrial problem apart from the Imperial problem, and that the latter is the more pressing of the two.

Consider the problem of problems—that of population. “The frontiers of the weak are seas and rocks ; the frontiers of the strong are men,” wrote Lamartine, after his manner, and there is fibre as well as rhetoric in the phrase. We may say that by far the most important economic products of any dominion are not goods but men, especially white men. Where the commercial and political capacity of average individuals is tolerably equal, which we must now assume to be the case as between Americans, Germans, and ourselves, numbers must tell. We control a fourth of the globe’s surface, including nearly all the land outside the area of the United States most fit for white settlement. What are we doing with that land ? In the whole of the British Empire there are but fifty-three millions of white men—little more than the island population of Japan. Germany has nearly sixty millions ; the United States (ignoring negroes) has seventy millions. The disparity is as yet not overwhelming, but it must become so unless we can stop the scales from tilting more and more against us with an ultimate view to reversing the

balance. The force of the other two greatest Powers is not merely superior in respect of numbers, but it is a compact whole acting with concentrated strength. Our inferior numbers are distributed and unorganised. Another point, and it is momentous, is that the population of the United States increases three times as fast as ours, that of Germany twice as fast.

In both these countries practically all the annual increase goes into manufacturing and industrial pursuits, and adds every year the equivalent of another large market to the home manufacturers' sphere. That in face of these facts we should still lose most of our emigrants and the best to the Stars and Stripes, while the vast empty lands under the flag are crying out for settlers, is the very insanity of *laissez faire*. The lost emigrant counts two upon a division—he and his posterity are items subtracted from our Imperial force and added to a competing force. With regard to the question of white population alone, unless we can keep all our own people henceforth under the flag and attract suitable emigrants from other white races, we shall be crushed automatically both in power and trade by the numerical preponderance of our rivals. In this matter, if we were prudently guided, we should not lose a single hour. The capitalised value of every British subject who becomes an alien means such a serious political and economic loss that almost any reasonable premium paid to keep such an emigrant under the flag would be a sound business transaction.

We know how sharply the development of Canada

was checked by the abandonment of our former preference system when Cobdenism triumphed in the forties. At that time we received from our own Colony a high proportion—from 30 to 40 per cent—of our total imports of wheat from North America. We could have modified at that time by a different policy the whole economic development of that Continent. Canada might have become the granary of the Empire as the island ceased to be self-supporting. The Dominion would have had a population to-day of twenty millions or more, instead of five; Australia and South Africa would have advanced more vigorously. Peaceful measures taken some decades ago to attract more British settlers to the Cape, for instance, would have saved the recent war and more than two hundred millions of money. In 1846, had a positive policy for the development of the Empire been adopted, the British flag would now be floating over a much larger white population than that of either the United States or Germany. It is plain that with the largest white population of any single State the British Empire would be the strongest as well as the widest system in the world. Unless policy shall make some serious effort to improve our present relative position, which is even now far too low, it is in the highest degree improbable that our dominion can be maintained. We want more people that we may have more commerce and more power. These being the ends we aim at, the question of the means available is one of constructive economics in their Imperial application.

Preferential trade is the principle of maximum development for the Colonies—as a tariff encouraging the import of raw material, rather than the import of foreign manufacture, represents the same principle for the nation. The Mother Country's demand for food and raw material ought to act directly on the Colonies' unlimited capacity for supply. This internal process of supply and demand within the Empire itself ought to be, what it might be, the most powerful economic factor in the whole sphere of sea-trade. Only in this way, while securing other incidental objects only less important, can we make the Colonies centres of increase for white population under conditions that will build them up on British lines and keep them under the British flag.

Here, however, comes the difficulty of method. A national tariff, if it were possible to separate the interests of the island from those of the Empire, would doubtless place a duty upon foreign manufacture and leave all other imports free. The preference policy asks democracy for purposes of Imperial development to place a tax upon foreign food. For us these two schemes must stand or fall together. Can the consent of democracy be secured to a proposal so daring? I think it can be secured when democracy is made to understand that as the taxation of foreign manufacture would increase the free import of raw material, providing the maximum of employment and supporting the maximum of population at home, so the taxation of foreign food-

stuffs is designed to increase the free import of colonial food-stuffs with a view to providing the maximum of employment in the Colonies and supporting there the maximum population.

Many national economists in Germany, from List downwards, have been opposed to all taxes on food as to taxes on raw material. Such taxes in such opinions are only to be justified by political and not by directly economic reasons. In Germany there is maintained a true Corn Law of a severe description, which restricts all food imports, which unquestionably limits the supply and raises the price, and which can only be plainly defended on grounds of military necessity.

But duties exclusively levied on foreign food imports for the purpose of increasing the free supply of colonial food-imports would have nothing in common with any Corn Laws formerly obtaining in this country or now existing abroad. Their purpose, method, effect, would be radically different. They would represent an economic policy wholly new to the world's experience. Such duties would be calculated to produce greater rather than less abundance, to increase the food supply rather than restrict it. It would be quite as accurate, therefore, to call Federal trade Free Trade as to call it Protection in the old opprobrious sense. The system of preferential trade proposed for the British Empire may be as fully justified on grounds of commercial advantage as on those of political expediency.

Politically every Englishman can grasp the pro-

position—the vast majority of Englishmen responding to it when thus stated—that the existence of the Empire must depend sooner or later upon the relative number of its free citizens. Hence the importance of keeping under the flag the intending emigrant who counts two upon a division. It is self-evident that preference in this market must increase the number of colonial agriculturists if it increases the profitability of colonial agriculture. It would deflect into Imperial channels part of the streams of emigration which now flow towards other directions. It is the prevailing opinion of all the Colonies, without exception, that preference would stimulate their growth. There can indeed be no doubt of it.

The concrete and critical question is, however, that of Canada. Emigrants will go where there is most hope. There is always a favourite land. It has been the Republic. It will be the Dominion. Preference or no preference, Canada will now get her increase of population. Will she get it under conditions increasing the probability that Canada will remain Canada? There again we have a question of existence for the British Empire no less than for her greatest Colony. The present tendency is to fill the Canadian wheat lands with United States' settlers, to saturate the Colony generally with United States' capital, to turn the Dominion from the American point of view into a Transvaal over the border. A process of permeation of that kind between the greater and the smaller of two adjoining States must mean in the end assimilation, unless stronger influences are

made to act from another direction. If the preferential connection with the British Empire makes Canadian agriculture more profitable than it could be otherwise, the American settler under the strongest of inducements that can act upon an emigrant, who only moves that he may prosper, would become British. Secondly, Preference, combined as it ought to be with more direct measures of encouragement, would draw into Canada more emigrants from home and from other European countries. This mingling of elements would more easily enable the strong national spirit now rising in the Dominion to assimilate them all. This Empire wishes to remain an Empire, and within it Canada wishes to remain Canada. The possibility of the greater ideal must depend upon the achievement of the less. If we use with any decision our unrivalled consuming power to develop colonial producing power, Canada will remain Canada, and this Empire will remain an Empire.

Economically the advantage of the preferential duties is no less clear than their political necessity. We are fairly asked, "What will the Colonies do for you?" They have done something in the direction of giving to us a trade they might have given to others. They are prepared to do more still when we make a first effort to reciprocate. But a preferential policy on our part would still be urgently demanded in our insular interests, whether the Colonies made any further return or not. The advantage of the arrangement to us may be much improved by their action,

but will be mainly independent of their action. And for this reason :

Our demand for the things by which we live must develop supply somewhere. It must develop foreign territory or else the Empire. When such a choice lies in our hands can there be any doubt as to how we ought to exercise it? The existence of isolated free imports in this country has immensely facilitated in different ways the rise of American and German competition. We have gone on nourishing their manufactures while they have gone on repressing ours—a process which evidently tends to inequality.

Again, take the theoretical problem in its concrete aspect. We must either continue to draw the bulk of our imports of food and raw material from the United States, or we must commence to draw them more abundantly from the Colonies. What have we done in the past under conditions of exchange contrary to all that Cobden hoped to secure by his system—or at least by his half a system—that fragment of a creed, that torso of a policy which is all he succeeded in bequeathing to us? We first increased very materially the agricultural wealth and the population of the United States. Then upon that basis America built her present manufacturing power. We gratuitously provided agricultural consumers by the million for the competitive goods of protected manufactures; and that is what we are still doing for the community, which is already far larger, and so far as relates to present earnings richer than we, which

hopes to sweep us out of many neutral markets and presses us hard even in Colonial markets.

By spending annually a hundred millions sterling upon the United States, which we might have spent within the Empire, we lose in every way. A trade of that character would be conducted within the Empire upon far better terms of exchange. The reason is again plain. Every colonial as a customer is worth to us upon the average from ten to twenty Americans. Even if colonial tariffs should remain at their present level they are a trifle by comparison with the average 70 per cent duty under M'Kinleyism. American manufacture would be strong enough to exclude ours even under a lower tariff. Colonial manufacture under higher tariffs cannot be carried on for many years upon a scale enabling it to exclude British so completely. Again, no single colony equals the United States in potential capacity for every manner of industry. No colony could ever be as economically self-contained as the Republic is, or as independent of us and others. It is certain that the more food and raw material we draw from the Colonies instead of from the United States, the greater proportion of manufactures we shall send out in return.

The practical case for preferential trade in a word is this : Whether we shall continue to spend a hundred millions sterling a year in developing American competition, or whether we shall use that vast amount to create Colonial customers and Imperial citizens. Constructive economics must dictate that policy by

whatever name called, which means the most energetic effort to develop trade and power under the flag.

Here, however, we reach another consideration of the first importance. From the question of filling out the Colonies we come at once to the wider conception of a self-sustaining Empire. While we know that the strength of its white population determines the political power of the Empire, the nearly four hundred millions of its native subjects in India and elsewhere are an enormous economic asset which ought ultimately to ensure the absolute supremacy of the British Empire in production and exchange over any other single system. The United States produces the bulk of all the raw material it requires except the fine wools and tin. This Empire already produces most of the world's wool and tin. It is unquestionably capable of becoming by far the greatest cotton-growing power. We can make it self-providing in respect of all the chief crude materials, with perhaps the serious exception of iron ores. We must have the materials: here, again, our demand is a factor which, in calling forth the supply, must develop either Imperial or foreign territory.

Not only the principles of constructive economics but the elements of sound policy demand that where the choice lies in our own hands our consuming power should develop lands under the flag to the greatest extent possible, instead of lands outside the flag. India, for instance, requires fresh fields of subsistence for her surplus population. She needs Colonies as much as we do. The future organisation of our

colonial possessions must provide some definite sphere of settlement for Indian natives, and I am not sure that as a beginning Uganda ought not to be administered from Simla. Realise the whole possibility implied by the two facts that in some portions of our territories we have vast areas of undeveloped land ; in other portions we have masses of surplus labour. To bring the two things into productive contact would be the object of a policy regarding the Empire as a whole, with the world-embracing vision absolutely demanded for its right management.

Again, take the political aspect of a self-sustaining system, and then take the economic. Politically we cannot be called at present a completely independent State, and we have no security. We keep an overwhelming navy to cover the transport of our supplies when they are on the sea ; but what if they should not be allowed to reach the sea ? It is true that our dependence at present is mainly upon a friendly Power, but that relationship does not conduce to equal consideration and respect between the two peoples. It is dangerous to the friendship itself. No thinking man amongst us can regard it without disquiet. Let us be quite certain that no State which cannot stand upon its own basis can stand at all. It is not enough to be supported by a friendly prop which might be withdrawn. As a matter of business we ought to insure against this risk as against every other. Further, we shall see in a moment that, to make the Empire self-sustaining to the greatest extent possible, can be the only guarantee for the preserva-

tion of our sea-power, and must, therefore, form the indispensable basis for the maintenance of the Empire itself.

But first let us see how important—how urgent even—is the problem upon its purely commercial side. We are told by the free-importing mind—by Mr. Asquith, Mr. Leonard Courtney, and others—that the conception of a self-contained Empire is “unnatural, barbarous, and impossible.” This is a formidable accumulation of polysyllabic adjectives. Now, however, we are told that the existence of Lancashire depends upon making the Empire self-supporting with regard to raw cotton. That remarkable demand from the home of *laissez faire* really settles the whole question. If Lancashire thinks so much to-day, England will think a great deal more to-morrow.

For what is Lancashire's case? She wants cheaper cotton. She discovers that free imports alone do not necessarily mean the cheapest supply of a given product. *Laissez faire* shows itself here as a principle of restriction, and therefore of dearness. It has limited supply by passively allowing the rapidly-extending textile industries of the world to continue mainly dependent upon the American cotton belt. Free imports may be all right—but there is not enough cotton to go round. Lancashire now perceives that the active principle of Imperial development is the most effective method of ensuring cheapness. The passive reception of foreign supplies, which foreign nations are requiring more and more largely for themselves, no longer ensures cheapness, but, as in the case

of cotton, may actually create scarcity. We shall have inexhaustible supplies of the cheapest imports when we have brought the surplus labour of the Empire's native millions into contact with the large areas of Imperial territory capable of bearing cotton.

But as with cotton for Lancashire, so with wheat for the nation. Here again the United States must indent more and more upon home production to meet home consumption. Imperial development is the best guarantee of cheap cotton. Why not of cheap food? The principle of maximum development is the real clue to constructive economics. The maximum development of supply relatively to demand is in everything the condition of utmost cheapness; and that utmost development can never be secured by a negative policy of free imports, but only by a positive policy of State action. The Canadian wheat-lands will be more rapidly and widely opened up with a preference policy than without one. In all these things the Mother Country, by her population, wealth, consuming power, must be the prime mover of the whole economic mechanism of the Empire. Chatham expressed this idea in one of the great passages of the American speeches: "Trade is an extended and complicated consideration: it reaches as far as ships can sail or winds can blow—it is a great and various machine. To regulate the numberless movements of its several parts, and combine them into effect for the good of the whole, requires the superintending wisdom and energy of the supreme power in the Empire." Unless the Empire becomes sufficiently self-providing from

the economic point of view, it can never be sufficiently self-secure from the political. There is no principle more important in the whole economic doctrine of development than that which dictates a positive policy for increasing the abundance of our sea supplies, and securing, so far as human foresight can, that they shall be always available.

We come now to final considerations. The fiscal controversy will be determined in the future, as it was in 1846, not by theoretical considerations, but by issues practical and urgent. The case of cotton has settled *laissez faire* in Lancashire, and has made it impossible in the tabernacle of the Cobdenite doctrine to argue any longer with decency or success against the ideal of a self-sustaining Empire. In the same way we shall be faced within the next few years by the fact that Canada is the key of the Empire in more than the ordinary sense. It is the key to sea-power and shipping supremacy. Both would pass from our hands if the Dominion became part of a North American Zollverein. But the alternative must be between Imperial preference and American reciprocity. One way or the other Canada must move. If the fiscal movement definitely failed here, pan-Americanism would assuredly succeed. Terms would be offered which the Canadian people, as their leading statesmen have warned us, would be unable to resist. If our free importers had their way, the Dominion would be assured under all circumstances of having the same unconditional access to our markets as every foreign nation enjoys. Reciprocity with Washington would

give her more of the United States market as well. The certain alternative to Imperial preference will be reciprocity as between Republic and the Dominion—then commercial union, then political incorporation.

If Canada goes, however, the whole fabric of Empire must break asunder for economic reasons that would cause maritime and mercantile supremacy to pass altogether from us. If a solid North America is ever created it must be the first shipping and naval Power in the world, controlling a double Continent and dominating the two oceans to be joined by the Panama Canal. That water-way in itself must, under any circumstances, mean a remarkable increase in the coasting trade of the United States, which, let us remember, is an ocean trade. The whole tendency of modern traffic is for the railway systems to link up with the steamship lines. Again and again it was explained to us when the Atlantic Shipping Combine was formed that the British companies were bound to enter it. The American railways controlled the freight, and must therefore control the ships. That is perhaps quite the most far-reaching economic tendency with which we have to reckon. For the present the collapse of Morganeering finance has seemed to remove the danger which caused so sober an authority as Sir Robert Giffen a couple of years ago to advocate the nationalisation out and out of the British mercantile marine as a gigantic remedy for a serious problem. We enjoy just now an illusory respite, but the problem will appear again. No one who endeavours to follow the movement of American

opinion can fail to be struck by the ineradicable strength of its desire to create a great merchant navy as well as a great fighting navy.

It is a natural desire and an inevitable one. But it means the annexation to a fatal extent of the invisible exports so comforting to the Board of Trade. Ships which take the traffic one way must of course take it both ways. Once controlling the freights upon their own side, the American railways would control the Atlantic trade altogether. Our shipping supremacy under these circumstances is liable to wane, whenever seriously attacked, quite as rapidly as our position in the iron trade, for instance, has been altered. Just as we now hold an overwhelming predominance in the carrying trade, we held it only a quarter of a century ago in the iron trade; but there we have been brought down to the third place before any of us rightly grasped what was happening. Where private finance has again failed, the United States again shows signs of thinking that public finance must intervene. There has of late been a perceptible inclination to revive the agitation for a Shipping Subsidies Bill. Such a measure would, of course, mean the fight for our commercial lives. Under commercial union between the Republic and the Dominion—to return to our main point—the power of the North American railways to divert the freight would be impossible to resist.

This is where Canada again holds the key. The permanent security for mercantile supremacy and sea-power lies in preferential trade. British shipping

will not be safe a few decades hence unless it is made safe at both ends now. With the development of colonial supplies the bulk of our imports of food and raw material will be of British origin. We shall be certain then, but only then, to have them borne always to our ports in British ships. In every popular movement there must be one main idea to form the focus of all argument. This, in my conviction, should be the main idea of our movement. We conceive a system under which our imports, becoming again in an overwhelming proportion as free as now, shall consist of food and raw materials, the products of British soil, raised by the hands of British subjects, white or native, carried over British railways to British ports, and shipped by British vessels to British people. Under a national tariff, as was contended at the beginning of this paper, we at home should have a higher creative and consuming power than now; we should check the exceedingly dangerous tendency of the Colonies to send more and more of their raw material to foreign markets and to receive foreign finished articles in return; and we should export, in accordance with what ought to be the steady aim of our commercial policy, the maximum percentage of manufactured goods relatively to the volume of our imports.

This is the sole means by which the British Empire can be converted into an organic system with adequate powers of progress and resistance. Preferential trade would place our dominion upon a natural and solid basis, with a clear prospect of

permanence. The Sea-State would rest upon a fundamental guarantee—the economic security of sea-power. Again let me emphasise that point. It is the vital one. Under preferential trade the volume of inter-Imperial exchange, the value and bulk of the Empire's internal commerce, would remain beyond all comparison the strongest factors in the sea-trade of the world. We shall see this if we examine closely the position of our competitors.

Weak policy, as has been shown, would enable the United States to wrest our supremacy from us. Under preferential trade it would be impossible for even the United States to do anything of the kind. And for an obvious reason. The United States, not fiscally, but naturally and on account of the very extent of its territorial resources, is more than any other country what the Germans call a closed system. Its commercial power is mainly a matter of domestic exchange. Producing so much of her food and raw material within herself, America is not at all fitted to rival us in imports. With respect to exports, our relative Imperial position under preferential trade would be stronger still. Our coal shipments alone represent even now the enormous weight of 60,000,000 tons actually—that is to say, a weight of freight greater than is represented by all the exports and imports combined of the United States. But the United States is also tending rapidly to consume more and more of her corn and raw cotton; and as she gradually substitutes shipments of finished goods for cargoes of the bulkier and cruder commodities,

the weight of her exports in the future is likely to diminish as its value increases. Canada's commerce, on the other hand, will grow more and more in bulk and weight as well as in value. Detailed figures would establish this proposition if the Club desired, but it is not necessary to encumber the argument with them.

The sea-trade of the Empire, developed by its native as well as its white population, must always employ, if we keep Canada, a vastly larger shipping than the United States will ever need. Germany's trade passes to so large an extent across her land frontiers, that, if we can hold the Empire together, we shall keep down her maritime rivalry with ease. The political possibilities of pan-Germanism with respect to the incorporation of Holland and Austria make it probable, however, that the German Empire will be a more persistent and serious competitor for sea-trade and sea-power than the United States. With a large extension of her European boundaries, her population would be equal or superior to that of the United States, and being more dependent upon sea-borne products that population would need a larger shipping. Under another generation of fiscal *laissez faire*, however, the things of which we might keep a permanent grasp must drift out of our hands. America will become the first maritime and naval power if Canada is incorporated with the States; and Germany, using her military force to extend her frontiers and to complete the racial unification that was not perfectly accomplished in 1870, would

assuredly become the second maritime and naval nation. But if we keep Canada by preferential trade, if we use every exertion to develop the population of the white Colonies, if we utilise the immense economic advantages we possess in the tropical territories and the countless native subjects of the Crown, and if we raise the manufacturing and consuming capacity of this island to the point of maximum development by a national tariff stimulating British capital and labour to some degree, as competitive enterprise and employment are stimulated abroad—then the economic foundations of sea-trade, of sea-power, of the Imperial Sea-State, will remain impregnable.

Were the Empire ever dissolved, history would have to look for the reason in the policy of 1846. Ignoring national distinctions, hating the Imperial ideal, the classical economists and the authors of Cobdenism forgot that trade means population, and that it makes all the difference to the future of a State whether population is developed under the flag or under other flags. Preferential trade adopted fifty years ago would have filled out the Colonies, and the Empire would have had at this moment a far larger white population than the United States.

It is still possible to work for that purpose with the reasoned expectation—nay, with the clearest certainty, of success. In its extent of undeveloped territory the Empire is younger than the Republic. Canada, Australia, South Africa,—these are now the lands of the future. The Empire offers the wider

and the more productive fields for white settlement. With its native races, forming a fifth of the whole number of mankind, we dispose even now of incomparable human forces if we have but the wit and will to wield them. Contrary to some pessimistic estimates, English freedom is an asset of Imperial strength—an aid and not a hindrance to Imperial action. We have solved the constitutional problems which will continue to be a cause of embarrassment and distraction for the chief continental States, especially Germany and Russia; while even by comparison with the United States the comparative moderation of our social and economic conflicts, the homogeneous strength of the stock, the historic unity between all classes of the nation, and the yet unbroken greatness of continuous traditions, are elements of power which never can count for naught. Our experiences during the late war proved once for all that vigorous and competent government can always rely with complete confidence upon the instinctive political discipline and good sense of a sound and staunch democracy. Our sea-power relatively never was so potent an instrument as now.

Every day of the war in the Far East has been a new revelation of the traversable and connecting character of the sea, and has shown us again that our dominion is more effectually united by water than the uninterrupted territory of Russia is united by land. Splendid isolation is evidently over—probably well over. If we manage our future alliances with prudence and foresight, there is no conceivable

attempt to disrupt the Empire that we might not provide against. Our temporary disadvantages, owing to the swerving under *laissez faire* from the old line of national policy, are in several respects severe, and capable either of fatal issues or of complete remedy. If we can preserve the Sea-State for one generation longer, securing through Federal Trade its economic development and political union, we shall be certain of that increase of white population, wealth, and commerce which will make the British Empire a permanent system, established upon a concrete basis, and relying for the full security of its future upon its own co-ordinated Power.

APPENDIX

WE shall best recapitulate the argument and throw the cosmopolitan and the national theories of economics into the clearest contrast if we set out here the chief clauses of the London Free Trade Petition of 1820 (admittedly the ablest short statement of the *laissez faire* case ever made), and attempt an answer paragraph by paragraph from the point of view of the modern dynamic or progressive school.

PETITION

To the Honourable the Commons, the petition of the Merchants of the City of London—Sheweth :

1. That foreign commerce is eminently conducive to the wealth and prosperity of a country, by enabling it to import the commodities for the production of which the soil, climate, capital, and industry of other countries

ANSWER

1. The *laissez faire* movement begins here by ignoring the Empire. The advantages claimed for foreign commerce belong more accurately to maritime commerce. Happily for us our maritime commerce need not be *foreign*, and may be to a large or a main extent inter-Imperial. Even under free exchange inter-Imperial trade would be, transaction for transac-

are best calculated, and to export in turn payment for those articles for which its own situation is better adapted.

2. That freedom from restraint is calculated to give the utmost extension to foreign trade, and the best direction to the capital and industry of the country.

3. That the maxim of buying in the cheapest market and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable as the best rule for the whole nation.

tion, far more conducive than foreign to the wealth and power of the Imperial State, by giving at least equal economic advantages to the island, and securing on the other side the parallel development of British population and territory, instead of foreign population and territory. See also below.

2. There is no freedom from restraint in foreign trade. Measures for the development of the Empire are calculated to give the utmost extension to our maritime trade by securing the fullest exchange of goods for goods. The best direction will be given to the capital and industry of the country by the interference of the State for the purpose of redressing unequal conditions of competition, and providing the larger scope at home, which is the only possible compensation for restrictions abroad.

3. The protected manufacturer under tariffs leaving raw material free is the person who makes the most complete application of this principle. But the whole formula as applied to modern economic conditions is an antiquated and unreal one. The principle of maximum development is as follows: To utilise the largest possible supply of what you consume, to cater for the largest possible demand with respect to what you produce. The State, as in the case of cotton, can be more efficient than *laissez faire* in actually creating larger and cheaper supply, as well as in securing for the nation wider markets. We may revise this famous principle as follows: Buy in the fullest market and sell in the largest.

4. That a policy founded on these principles would render the commerce of the world an interchange of mutual advantages, and diffuse an increase of wealth and enjoyments among the inhabitants of each State.

5. That unfortunately a policy the very reverse of this has been and is acted upon by the Government of this and every other country, each trying to exclude the production of other countries with the specious and well-meant design of encouraging its own production, thus inflicting on the bulk of its subjects who are consumers the necessity of submitting to privations in the quantity and quality of commodities; and thus rendering, what ought to be the source of mutual benefit and of harmony among States, a constantly recurring occasion of jealousy and hostility.

4. We have not induced the world to accept this view, because it is certainly not true as written. Even free exchange, as Mill recognised in the celebrated heretical paragraph, can obviously confer equal advantage *only upon equally developed nations*. Foreign nations could not have developed their aptitude for manufacture except by protection against the overwhelming advantage we possessed when they began. But their policy of national development has enormously increased the total world - supply of manufactured commodities, and has diffused the maximum increase of wealth and enjoyments among the inhabitants of competitive States. For us a policy founded on the principles of Imperial development will secure the maximum increase of wealth and power for all the inhabitants, whether insular or trans-oceanic, of the Imperial Sea-State.

5. Answered by Mill, modern history, and previous paragraphs. The tariff only restrains competitive manufacture and encourages to the fullest extent the free import of all the foreign production that is best calculated to nourish home production.

But this section is mainly interesting as introducing to us our friend the consumer. By the present relations between a protected world and a Cobdenite island the injury to us as producers of British manufacture is greater far than the gain to us as consumers of foreign manufacture. It is absurd to say of any State that the bulk of its subjects are "consumers." In every State the really typical and important person is "the producer-consumer."

He is immeasurably more numerous and prosperous abroad than in any previous generation. His prosperity is built upon the bases of free raw material, maximum production, and full command of the national market. What the petitioners of 1820 never sufficiently realised is that free exchange does not necessarily mean the largest exchange; while the largest production means inevitably the largest trade. That is why the policy of development has prevailed, and why foreign commerce and general consuming-power were never so great in the "protected" countries as now.

6. This is the core of the controversy—that since imports must create exports to pay for them under a free import system, all things must be always all right.

6. That the prevailing prejudices in favour of the protective or restrictive system may be traced to the erroneous supposition that every importation of foreign commodities occasions a diminution or discouragement of our own productions to the same extent; whereas it may be clearly shown that although the particular description of produce which could not stand against unrestrained foreign competition would be discouraged, yet as no importation could be continued for any length of time without a corresponding exportation, direct or indirect, there would be an encouragement for the purposes of that exportation of some other production to which our situation might be better suited: thus affording at least an equal, and probably a greater, and certainly a more beneficial employment to our own capital and labour.

The "prevailing prejudice" throughout the civilised world in favour of the national or progressive principle is found to be based upon the conviction and experience that an active economic policy on the part of the State is essential to the fullest development of the nation; for it is true that every import must develop a corresponding export. But the vital point is what you exchange for what. It would, of course, be utterly false to say that our manufactured imports stimulate by their increase our manufactured exports. Otherwise these latter would now be immensely greater than they are. Foreign tariffs prevent us from paying for competitive imports by the production of articles to which we are best adapted. We might, theoretically, import enough foreign manufacture to ruin all

British manufacture, and might balance the account by exhausting our coal seams. The principle of balance, therefore, gives no security whatever for a country's manufacturing position. The policy which frees all developing imports and taxes all competitive ones gives the fullest security. It means the largest production and the largest exchange.

II

TARIFF REFORM AND NATIONAL DEFENCE

By H. W. WILSON

THE question of Tariff Reform is intimately bound up with the question of National Defence; in fact, it might almost be said that the two are inseparable. Both defences and tariffs are means of protecting the free development of the national life against an external will or force. But while a tariff shelters the industrial life of a people against foreign attack and competition, defences—by which we usually understand the army and navy—protect the political life of that people against foreign interference. A general increase in tariffs has accompanied the development of great armies and navies throughout the world; the military movement is but another manifestation of the growing competition which has caused the economic movement.

There are two distinct policies in dealing with tariffs and armaments. The first, which is the old-fashioned extreme individualist view—the view of Cobden and the early Free Traders—is that defence, whether industrial or military, is best left to

“Nature,” or, in other words, to the free play of chance and unorganised individual effort. It holds that the State will only produce a muddle if it interferes with trade; while as for military defence, “Nature” having *ex hypothesi* implanted in mankind one primal passion, the desire for gain, men in their eagerness to gratify this desire will not be so foolish as to waste their resources in wars. Armaments are therefore unnecessary; in fact, they are a gratuitous waste of money. Thus we find Cobden apparently inclined to abolish the army, and to reduce the navy to a minimum, because he seems to have really believed that the fate of the world would be decided by “Natural” forces, mainly economic, with which the will of man could not interfere. He thought that if England set the example by disarming, other Powers would at once follow suit, and blamed her for spending millions on her army and navy. But as he predicted with equal confidence that her adoption of Free Trade would be followed within five or ten years by the universal prevalence of Free Trade throughout the civilised world, it is fortunate that the common sense of the Englishman prevented his theory of disarmament from being practically tested.

The striking feature of this *laissez faire* doctrine is that it involves a complete surrender of the will. The nation is to submit to “Nature,” which is mere fatalism; its industries are to be exposed to a merciless competition, and if they fail or succumb under such competition, as their collapse is due to “Nature,” all must be assumed to be well. In the political

sphere, if foreign communities assail the State, the State must abnegate its will and submit to their dictation, rather than waste millions in defending itself. Such surrender is facilitated if the view adopted by those who advocate it is that the State in question is always in the wrong—though this would seem to be a contradiction of the hypothesis on which the whole structure of theory rests, that all men are by “Nature” peaceable, just, and desirous only of immediate gain. For if all men are just and peaceable, how is it possible for any one State to be guilty of aggressiveness and violence?

Such, ultimately, is the Free Trade position with regard to tariffs and armaments when the analysis is pushed home. In the modern world of nations armed to the teeth, and defending their industries with high tariffs, a nation which holds this view must have no will or character. We are not to go to war, even in the defence of a just cause, because war is costly, and gain is the one end of life. We are not to engage in tariff wars to protect our industries against what some of us think to be unjust aggression, because tariff wars may involve considerable loss to ourselves. We are therefore to submit to an external will, which is to determine what industries we may maintain and what territories we may control. This view neglects altogether the fact that man is a passionate animal, and that one of the strongest passions implanted in him is the feeling of nationality. It ignores the truth that the world's great thinkers and poets have scoffed at the desire for gain, and held up other ideals for

imitation than the devotion of human life to the "toss and pallor of years of money-making." It assumes that humanity is composed of those bloodless beings happily described as "economic men," who reduce everything to a standard of £. s. d.

This is the one view. The other rests upon history and experience; upon facts, not theory. It holds that "Nature helps those who help themselves," and that the will of man can influence events very deeply. It refuses to surrender will and character before external force, but requires claims to be made good by reason, and till a claim has been so made good will not submit to it. It observes that there are two points of view to almost every international question. For example, in our difficulty with the Transvaal there was a Boer case and a British case, each of which seemed vital and convincing to one of the two nations. Under such circumstances, a trial of force is inevitable. As Mr. Spenser Wilkinson has said: "To such a case, none of the other known methods of settlement is applicable. If each of the two Governments feels that the matter in dispute is not one of life and death, they will agree to arbitration or a compromise; if only one of them has this feeling, that one will give way. But if neither can give way without ruining the nation which it leads, there must be war between them."

In the same way we cannot fail to recognise, if we interrogate history, that in the wars of 1866 and 1870 each side had a strong case. But neither could or would yield to the other without a trial of force, and

in such a trial we may hold with Goethe that victory decides the right. Victory decides the right because victory is generally determined by the strength of will of one or other combatant, by purpose, by character, manifesting itself in far-seeing preparation, in self-sacrifice beforehand, and in the final determination and devotion which crown the martyrs of the battlefield. And all generations have held, whether rightly or wrongly, that the development of great character is the true end of the statesman and of the the State. It was Kant's categorical imperative, rather than the armed legions which it produced, that won for Germany the successes of Sadowa and Sedan ; as it was presumptuous confidence, indecision, and a failure to interpret rightly the command of duty that led to the fall of Austria and the collapse of France.

Those who would have the State assert its will in matters political as well as in matters industrial are applying the same principle to two related phases of national existence, and are interpreting what they believe to be the law of God and man—that weakness of will is an evil trait, which inevitably invites punishment, and that the duty of a nation is to safeguard its political and industrial independence by every precaution which knowledge and judgment may suggest. On the one hand, this means adequate armaments, and adequate I take to signify strong enough to meet the forces of any other State or States singly or in combination that may threaten the national life, whether on land or on sea ; on the other, protection

for the national industries wherever these are exposed to dangerous attack. This policy is really national self-preservation; the other, or extreme Free Trade policy,—which of course is not nowadays held in its logical entirety by many Free Traders, who accept a part of it but not the whole,—is national suicide. We have then to make our choice between a national policy in both trade and defence or no policy at all, but drift and trusting to “Nature.” Those are the extremes: it is doubtful if there is a middle course.

Defence of the national independence must come before the defence of the national industry, because without the first the second is unattainable. China, for example, endeavoured to resist by “moral force” the economic régime of the Western world in the middle years of the nineteenth century. Japan at first did the same. Neither succeeded, because neither had sufficient physical force to compel Europe to stand off. But the quick-witted Japanese saw at a very early stage what they needed, and set to work to provide the force. The Chinaman failed to apply the same analysis. Hence to-day, while Japan is autonomous and able to assert her own will, China is still the shuttlecock of the nations, a State whose territories other peoples unceremoniously annex, and about whose opinions no one troubles. She is compelled to admit Western goods under terms dictated by Western nations; she may not tax them beyond the point which her conquerors will graciously permit. Japan, by acquiring adequate force, is mistress of her own destinies. On the one hand, we have a

State which trusts to drift and to "Nature"; on the other, a community which exercises its own will, and strives to mould events rather than tamely to yield to them. There can be little doubt as to which people deserves to succeed, or which will obtain the praise of posterity—posterity, which has been wisely said to render the verdict of God.

If we now come to defence in England, we shall be struck by the fact that though our armaments are pronounced inadequate, whether on land or sea, by those who are the best judges—the professional military and naval men—their cost is immense, and the burden of supporting them is heavily felt. Week in, week out, from such speakers as Sir H. Campbell Bannerman, Mr. Winston Churchill, Mr. Beckett, and with more reluctance from Sir H. Fowler and Sir M. Hicks-Beach, we hear the statement repeated that the British outlay upon armaments is extravagant and wasteful. Thus Mr. Churchill tells us that "he had always desired a smaller and cheaper army, and the time had come when the growing size and cost of the navy must be arrested." Similar citations could be produced by the dozen, but one will suffice as an example. These utterances do at least testify to the fact that taxation is being severely felt by the nation.

Unquestionably one explanation of this fact is to be found in the methods of our finance. These were devised in the middle years of the nineteenth century, when the political situation was totally different from that which exists to-day, before the creation of immense compulsory service armies or the develop-

ment of modern navies. Neither our system of taxation nor our armaments have been remodelled to suit the existing conditions of the world. We are working an enormous business with antiquated machinery, which, as every business man will know, is one of the most certain roads to misfortune. We are working it with that machinery, because we as a nation have a rooted abhorrence of the new, and a pathetic belief in authority. Instead of interrogating facts, we are asking ourselves what Mr. Cobden or Mr. Gladstone said fifty years ago, as if the greatest or wisest of men could lay down rules for all time and every conceivable phase of existence. There may be something grand and imposing in this conservatism of character which is not without its good points. But at the same time, in social conditions where everything is in a flux, where nothing long abides in any one state, it is perilous to set our faces against all change, or to murmur fragments of outworn creeds as though such an act were a guarantee against disaster.

The central feature of our financial system is that our taxation is so levied as to fall entirely upon the British citizen. The one test which is applied to a new duty is this: Will it benefit any class of Englishmen or any British industry? If it will, it is immediately banned. The changes in the tobacco duties proposed in 1904 were attacked because they were supposed to give an infinitesimal amount of preference to British industry, as though this were a heinous crime.

Abroad, this view of taxation is not taken. The effort of foreign financiers is so to levy their taxes that they do not bear on the citizen and the national industries, but upon the foreigner. The English theory that every tax falls ultimately upon the consumer is not accepted by any means. In taking that view, the British Chancellor of the Exchequer among statesmen is *Athanasius contra mundum*. Athanasius may be right, but it would be at least wise to recognise that he may also be wrong. If England is right in her view, there can be no evil consequences. But if she is wrong, she is most certainly hampering her industries in the world-wide competition, and at the same time allowing her manufacturers and producers to support not only the burden of maintaining the British State, but also the cost of furnishing to the rivals and adversaries of that State the weapons with which to attack it. Nor can it be disputed by any fair-minded man that the very belief abroad that certain taxes or duties fall on the foreigner, is some proof that they are not seriously felt within the State that imposes them. In the words of Mr. Stanwood, one of the closest and most unprejudiced students of American tariff history: "A careful analysis of the experience of the United States . . . reveals an almost unbroken series of contradictions of the principles which the orthodox political economists are accustomed to set forth as theorems. Protection has not ruined the foreign trade," while he goes on to show that manufactured exports have steadily increased under Pro-

tection, which proves the negative of one or other of the fundamental postulates of Free Trade—that men buy in the cheapest market, or that a protective duty results in the addition of the foreign price and the import duty to make up the home price, and in consequence high prices at home.

A mass of figures, the interpretation of which is difficult, a number of examples of all kinds, might be adduced to disprove by particular instances the universal belief that all import duties are paid by the consumer. Here, however, I shall save you from these bewildering figures and only make allusion to one or two of the most important instances. In the American Statistical Abstract are given the price numbers of certain articles of daily consumption in New York City from 1860 to 1904. These show no rise in the price of the articles, the imports of which were most severely taxed under the McKinley Tariff. "Clothing," "metals," and "miscellaneous" fell markedly under the tariff; and when under the Wilson Tariff the duties were very much lowered, though there was a very slight fall in these three categories, the effect was infinitesimal, and appears to have been the reflection of a world-movement towards lower prices. In the same way the sharp rise in price which occurred under the Dingley Tariff was probably due to deeper causes than fiscal legislation. In fact, there is no indication in these figures that import duties in this case fell on the consumer.

In the case of corn in England under the old Corn

Laws, we have the evidence of Cobden himself that a very small part of the duty fell upon the English consumer. In a speech of March 1844, he put the cost to the consumer of the duty at 5s. to 6s., though the actual duty averaged for the period he was surveying 23s. His statement is in exact accord with the fact that the drop in the average price of corn was only 5s. for the twenty-five years after the repeal of the Corn Laws, as compared with the last twenty-five years during which the laws were in operation.

No doubt there are many cases where the whole or the greater part of protective duties fall upon the consumer. But even here there are other things to be taken into account before we reckon up the balance of profit and loss to the nation. We have to allow for the development of new industries, as silk manufacture and tin-plate manufacture in the United States, increasing the national productivity and self-dependence. In a Free Trade State, the capital which cannot find employment within that State owing to foreign competition may be invested abroad, and employed in competing with the industries of that State. Though Free Traders assume that this is not of any economic importance, from the national standpoint it may be very serious. Some industries, for instance, are vital from the military point of view, owing to the tendency to draw ever tighter the rules governing the supply of contraband. The evidence given before the War Commission has shown that many articles which of old we used to make for ourselves

had hurriedly to be obtained abroad during the South African War, and that in some cases obstacles were placed in the way of our authorities by foreign governments and firms. Lord Wolseley in his evidence strove

to impress on the Commission a point not generally known, not even thoroughly understood by ourselves—I mean the impossibility of getting the different articles which go to make war material manufactured quickly in England. We were sorely in want of guns, ammunition, carts, waggons, tents, clothing, boots, shoes, saddles, and fifty other articles that I might easily name. Every manufacturer of those articles in England was working in full blast for us, and still they could not keep us supplied with all that we wanted.

General Brackenbury stated that “even such things as felling-axes we could not get in sufficient quantities in this country. . . . We had to go to Germany and America for tents.” From a military point of view, it is important that the national industries should be numerous, varied, capable of covering every field, and of producing on an immense scale in the hour of emergency. The Free Trader, on the other hand, in the words of M'Culloch, is content to see a division of labour between different nations, on the theory that “Providence, by giving to each particular nation something which the others want, has evidently intended that they should be mutually dependent upon each other,” thus ignoring the military peril which arises when a Free Trade people allows whole groups of industries to decline,

whereas in the Protectionist States, which are our rivals and competitors, such industries are nursed and developed.

It cannot be denied by the Free Trader that in the long run, by causing fresh competition, tariffs may send prices down, to the lasting advantage of the consumer. Thus, so long as England alone was supreme in the iron industry, the American had to pay very dearly for his iron. It was not till he developed a great industry himself by Protection that the price markedly fell, so that to-day the home price of rails in the United States is one-fourth what it was in 1872, and less than half what it was in 1881. Whereas in Free Trade England there was an advance in the price of heavy steel rails between 1887 and 1902, the extreme period covered by the Board of Trade price returns, in the United States there was a fall of 25 per cent, and rails were dearer in this country than on the other side of the Atlantic in 1901. In the same way, under the competition fostered by the M'Kinley Tariff in the tin-plate trade, the price of tin-plate in New York fell by about 16 per cent between 1892 and 1902, though in the same period the price of British plates at home slightly advanced.

Obviously, indeed, the effect of a tariff must be to stimulate the protected industries, and this is not denied by the Free Trader, whose case is rather that other industries suffer for the favoured ones—a view for which there might be much to be said with the old-fashioned type of industry before the days of

marginal profits and immense outputs—before, in fact, the force of the law of increasing returns was recognised, which teaches that in great staples the large output can always be sold cheaper than the small, and so must ultimately dislodge the small from the international market. Within the tariff wall competition will speedily bring down profits to what the Free Trader would call a natural level.

An indirect way in which tariffs benefit the consumer is by preventing the destruction of industries and the establishment of virtual monopolies. Thus there can be little doubt but that the French and German duties on wheat have kept a large area under cultivation within the tariff zone, and so increased the supply. If the French and German farms had been allowed to go out of wheat cultivation, as the English have been permitted, there must have been a considerable reduction in the supply, and a consequent increase in the price. According to the *Encyclopædia Britannica*, the world's production of wheat in 1898-99 was 312,000,000 quarters; the agricultural returns of France and Germany show that these two countries produced 59,000,000 quarters, or about one-fifth the supply. It is reasonable to suppose that with unrestricted importation of wheat their acreage under that cereal and their production would have fallen as the English has done, and would have diminished by one-half, so that one-tenth of the world's supply would have vanished, or have had to be supplied by the United States. By Gregory King's well-known law, a shortage of one-tenth would have meant a rise in

price of three-tenths, or more than the duty in Germany and very little less than the duty in France, at the present price of wheat. The French and German treasury would have lost considerable sums, and in the long run the foreign consumer would not have benefited in the slightest degree, while the development of the United States would have been stimulated to a point which might well seem dangerous to Continental statesmen. In fact, we might maintain, with plenty of reason on our side, that tariffs have cheapened food, and not rendered it dear—that in fact we English owe our “free food” in part to the foreign tariffs, and so to a violation of “Nature.”

A close analysis of facts shows that there are cases where duties scientifically imposed fall in part or entirely upon the foreigner, and where even if they do not fall upon him, but affect the home consumer, their indirect results justify the imposition of a surtax upon him. It is further clear that cases may arise where protective duties are necessary for the defence of great industries, vital to national interests, which are being crippled by our form of taxation or by foreign competition. Thus it is to be observed that Mr. Jeans, probably the best living authority on the iron and steel trades, in his evidence before the Tariff Commission, states that “the burdens that attend the manufacture of iron and steel in the form of rates, taxes, insurance, workmen’s compensation, royalty rents, and so on, are considerably more onerous in this country than in either the United

States or Germany. . . . One of the most serious burdens which the iron trade of this country, in common with other British industries, has of late been called on to bear is the increase of income tax and local taxation."

At the same time, the trade is liable to be attacked by dumping. "Dumped steel," he says, "may easily break the British market and entirely disorganise British conditions. This naturally discourages enterprise, and in extreme cases may induce despair. . . . The Tariff policy of our competitors, by guaranteeing within large limits the monopoly of the home markets and, what is perhaps of greater importance, keeping the home market from sudden and violent breaks, must produce continuity in running; and this result, I take it, is part of the general efficiency of organisation of their industry. . . . One of the greatest troubles that beset the iron trade of Great Britain to-day is a widespread want of confidence in its future. . . . The feeling is partly begot of the magnitude and effectiveness of foreign competition, and partly of the insecurity of the home market."

In a word, men will not put their trust or invest their capital in a business the fate of which depends on some external will—some force outside the national area. For ordinary competition the business man can allow; but no amount of enterprise, prudence, and intelligence will enable him to foresee and prepare for sudden dumps of a hundred thousand tons of American or German or Belgian steel, which, though their quantity is insignificant, by the Gregory King

law may send prices down in the most disastrous manner. The want of a tariff in the industrial world is operating in exactly the same manner as the want of adequate armaments would operate in the political world. It is impossible for our manufacturers to make calculations far ahead; business is reduced to chance; drift and the Free Traders' "Nature" are doing their fell work. The decline of agriculture in England is a good illustration of the hopelessness of fighting foreign production and competition without tariffs, and though the case of Denmark is cited as evidence that a State which is almost free trade in its policy may make a successful fight, yet it will be found, I think, upon close analysis that the farmer in Denmark receives much indirect assistance from his Government in the direction of low railway and steamer rates and technical instruction, while his raw material, the land, is not subjected to the heavy rates and taxes levied in England. From the national, particularly from the military standpoint, agriculture is of quite exceptional importance, as it is one of the very few industries that strengthen the human physique.

In short the British manufacturer and producer finds the ground trembling beneath his feet. He has no secure base of operations in the control of his home market; whereas the foreign manufacturer and producer in Germany and the United States is assured in possession of his own market, and has his foot firmly planted at home. The German or American manufacturer cannot be attacked by the foreigner till that

foreigner has paid a heavy duty and made a handsome contribution to the cost of running the State. On the other hand, he can attack the English producer without making any contribution whatever to the British revenue. The German gains fiscally from the importation of foreign manufactures, even if thereby Germans are dislodged from employment. The Englishman gains nothing in similar case, but sees his industries disorganised—perhaps even destroyed.

Ultimately the expansion of any country must depend on the market for its surplus products. If that market cannot be found, the State's expansion will be checked; and since defences cannot be maintained without heavy expenditure, its defences must suffer and its very independence be endangered. One result of Free Trade has been to force England to wage perpetual small wars in all directions, to open new markets for her wares, and maintain her control of old ones. She compelled China to take her goods after a long series of wars, which were denounced by the leaders of the Manchester school, but supported by the Manchester business men. In India, Burma, West and South Africa, and Egypt, economic interests and the desire to obtain and secure free markets in the midst of a Protectionist world were the reasons which compelled England to spend many millions of money and to sacrifice thousands of lives.

In defiance of the theory of trusting to Nature, the Free Trader has been compelled to resort to force, and even the Cobden Club was, in 1899, driven to issue a manifesto which must have made Cobden

turn in his grave, at a time when this country was asserting its intention to maintain the "open door" in China, "even at the cost of war." "It will be our duty," ran this manifesto, "to maintain valuable trade rights already acquired in territories which other Powers may annex, and we fully recognise the necessity of being prepared to do this. . . . Great Britain can assure France, Russia, or Germany that while she willingly recognises the absolute right of each of them to fix whatever tariff suits them in their own countries, she cannot recognise that they have a similar right in countries now passing under their control and where Englishmen have already established interests." In a word, we are to menace foreign Powers with perpetual war to prevent their closing to our trade markets which are of relatively small importance as compared with those which, through the spread of Protection in Europe, we have lost and are losing. This is not a practical policy without immense armaments—the less so as it might quite conceivably have involved a war with a great coalition, in which it could scarcely be said that justice or right was decidedly upon our side. For if a State such as Germany incurs expenditure in introducing order and building railways in Shantung, how are we to debar her from claiming exclusive privileges in return for this expenditure? The clear perception of the insecurity of trade conditions, except under the British flag, has driven this country to annex millions of miles of territory, and to incur the expense of policing this territory. If others shut

our trade out of their dominions, it would seem that we should be justified, as the only practicable means of exerting counteracting pressure upon them, to shut them out of our dominions.

It cannot be said, then, that Free Trade conduces to peace. It might conduce if Cobden's anticipations had been fulfilled, if every nation had accepted free imports, and if the States of the world had devoted themselves each to the production of some special article, of which all the others stood in vital need. But such an economic conception is unrealised, and perhaps unrealisable.

We have already noticed one bad effect of one-sided Free Trade, in failing to develop certain industries which may be of great military importance. We have now to consider briefly another, which makes an effective and all-powerful navy of paramount importance to the Free Trade State. This is the dependence of our country upon external sources of supply for its food and raw material, upon external markets for the wherewithal to buy that food and raw material. Dr. Cunningham has admirably emphasised the precarious nature of our dependence on the foreign market and of the divorce of British prosperity from all association with the land, which are two of the results of Free Trade. In 1902 we imported food-stuffs to an amount of £224,000,000, and raw materials to the value of £169,000,000. No other State is so dependent upon external sources of supply, yet in the case of the Continental nations such dependence would be less dangerous, as importa-

tion could always be effected by land, through neutral territory, though at some enhancement of cost, owing to the higher charges for conveyance by land. A war with Germany would merely divert to Antwerp and Rotterdam the German trade which in normal times passes through Hamburg and Bremen; it is even possible that, under special railway and tariff conventions, the cost might be insignificant to Germany. England, being an island State, cannot have recourse to neutrals.

Again, in war, these necessary imports of £393,000,000 might have to be paid for in cash, not with our paper; indeed, would have so to be paid for, if all did not go well from the outset, as when the political conditions are violently perturbed, there is a tendency to require payment in gold. Thus Japan, at the opening of the present war in the Far East, had to make gold payments for the supplies purchased by her in the United States, and had to find the gold at whatever cost. In the last great war waged by this country—that against Napoleon,—we were able to use paper for our purchases, as the country was then practically self-dependent, so that this difficulty did not arise; yet even then the country was drained of specie.

In the war of the future we have to remember that, though we cannot possibly dispense with our foreign imports, foreign markets can very well do without our exports; while the enormous rise in the rate of interest which would certainly attend the heavy borrowing required to finance a war, and the

large selling of our foreign securities, would further embarrass British industry, just as it did during the Boer war, when, after Colenso, the bank rate went up to 6 per cent, and relief was only obtained by procuring large sums in gold from the United States. Even so, for the year 1900 the bank rate in London was $\frac{3}{4}$ per cent above that in Paris. It looks, then, as though we should have great difficulty in making payments for our imports, and in financing industry under existing conditions. Here a policy which substituted dependence on the Colonies for dependence on the foreigner would be of real advantage, as our kinsmen, whose interests would be bound up with ours, and who have greater faith in the Empire, would probably be readier to take our paper in payment. Nor is it of less importance, if we can, to increase to the utmost practical limit the food-production of this country, which, in view of our experience under Free Trade, can only be effected by a protective tariff. In that case, our industry in this country will derive some advantage from the rise in the cost of food, which is almost certain to come, and the sole benefit and gain will not pass to the foreigner. This is altogether apart from Preference.

As for the effect of a great war on our export trade, we must first consider the economic results which such a state of affairs would produce. In a struggle with a single Power, with the British Navy on its present footing, there is little cause for alarm from the military standpoint, unless our fleets are grossly mismanaged, but much cause for disquietude

from the commercial. I work out the strength in modern battleships and large armoured cruisers at about 729 points for the British fleet and 350 points for the next strongest fleet in Europe, the French. I do not say that a conflict with France is probable, but the possibility has always to be kept in mind, since it is most difficult to forecast national policy for long periods. Even in this case, however, there will probably be a panic rise in insurance rates at the outset. Thus in the Spanish-American war, though the danger to American commerce from Spain was insignificant, and, so far as is known, no Spanish cruiser so much as attempted to interfere with American shipping, at the opening of the war, according to the *New York Sun*, 5 per cent insurance was charged on some Transatlantic voyages, and on sailing ships *en route* between San Francisco and New York, the rate went up when Cervera was at sea from $\frac{1}{2}$ per cent to $12\frac{1}{2}$. It speedily fell again, but the effect of the unknown upon the nerves of underwriters is quite clear. The capture of a few large British ships, which is certain to occur, will probably stimulate the general feeling of alarm, and only gradually will it be perceived that the captures really bear but a small ratio to our tonnage at sea.

Face to face with France we are stronger than in the Napoleonic wars, though the French personnel now is relatively far better than it was then. On the whole, with steam the risks of heavy loss from warfare against commerce may be said to have diminished. Our loss in the French war was about

5 per cent, according to Mr. Danson, an underwriter who studied what figures still exist bearing on this subject; according to Captain Mahan it was $2\frac{1}{2}$ per cent. Examining Mr. Danson's figures, one is driven to the conclusion that his estimate is below rather than above the mark, as many of the ships insured at low rates were clearly neutrals. It looks, then, as though we might have to be prepared to face, in a war with France, a rate of 5 per cent, which would be paid by our shipping alone; at first the rate may even go to 10 per cent. This will be another handicap on British industry, in addition to the high rate of interest which it will have to pay on all accommodation.

But there will be another influence increasing the cost of all sea-borne materials. The withdrawal of a certain and perhaps a large tonnage in war is inevitable. The enemy's shipping will be laid up, of course; our own sailing shipping will be laid up or driven to distant waters, where interference with it by hostile cruisers is extremely improbable; and many of our slower tramps may also have to be kept in their ports. Over and above this there will be heavy demands upon our better class of shipping for auxiliary cruisers, storeships, hospital ships, colliers, and transports, and this will mean scarcity of shipping throughout the world and high freights. The heavy insurance and uncertainty will lead neutrals to prefer neutral shipping for doing their work, so that British shipping will not reap the full advantage of such a rise. On the other hand, the British manufacturer

will have to pay increased freight on his raw materials and increased freight on his manufactured goods in transit to the foreign market; while his workers will have to pay higher prices for their sea-borne food. It is also probable that there will be a rise in the rates and taxes to provide for those who are dislodged from employment by war, and by the failure of many industries which work mainly for the foreign market. Under such conditions it is difficult to see how the British manufacturer will be able to compete, even in his own market, with the neutral manufacturer; in foreign markets British goods will be at a great disadvantage against the manufacturers of that particular country. It is quite possible that while food, owing to the various causes, such as high freight and heavy insurance, may rise in England, outside England and in the United States it may fall; just as cotton in 1861-65 was dear in England and worthless in the Southern States, in which case, while our food would cost us more, our rivals' food might cost them very much less.

The net result of such a state of affairs would be to dislodge British manufactures from the market, wherever the margin of profit was at all small; and if the war lasted for any considerable period, the consequences to us might well prove disastrous, since no longer, as in the past, could we subject neutral shipping to the handicap which we were careful to impose upon it in the Napoleonic wars. From the economic point of view it is thus of paramount

importance that we should be able to end any war speedily.

In a war with a combination of Powers, the risks for England would naturally be more serious than in a war with a single Power. The following is my estimate in points¹ of the force, about 1907, of the three possible combinations of two Powers :—

	Points.
England	729
France and Russia (excluding all Port Arthur fleet)	548
Russia and Germany	472
France and Germany	594
France, Russia, and Germany	807

The strongest combination is that of France and Germany, which is by no means probable, but which cannot be absolutely ruled out of account; the weakest that of Russia and Germany, which is a very probable one.

The preponderance in our case against the strongest of these combinations (France and Germany), would be slightly greater than that of the Japanese at the outbreak of the present war, as I work out the Japanese force to have been 100 to a Russian force of 80. But then, of course, Japan had no immense commerce to guard and no homeland to protect against invasion panics, since no general would be likely to attempt a disembarkation amongst a people who are trained to arms, and who possess one of the finest armies in the world. Thus the force of the Japanese available for offensive action was probably

¹ Battleships and modern armoured cruisers alone reckoned.

greater than that of which our admirals would be able to dispose under similar conditions. Yet even so, two things are clear—the first that the Japanese fleet was unable to inflict a close blockade upon the Russian ports in the Far East, though, as the result of the torpedo attack of February 8, the Russian strength was reduced to 60, while the Japanese force remained at 100. Even when the Russian force had been further reduced to 45, and the Japanese to 90,—when in fact the Japanese had two to the Russian one,—though a close blockade of Port Arthur was established, they had no ships to spare to watch Vladivostock, and suffered serious disasters in consequence.

The analogy and example of the war in the Far East suggest then that we shall not be able closely to blockade all the ports of any combination opposed to this country. In that case the attack upon our commerce will be facilitated, and the risk of an enterprising enemy concentrating suddenly upon one of our scattered fleets, masking the hostile ports, will be very great.

Under such conditions we must be prepared for losses to our shipping at least as great as those of the French war; that is to say, for a probable average of insurance rates of at least 5 per cent, and, at the outset, 10 or even 15 per cent, before the panic has subsided. If the Russians have not been able to inflict great loss on Japanese commerce and shipping, it must be remembered that from the first the Russians have shown themselves unenterprising;

that they have no coaling stations ; and that Japan's geographical position, face to face with Port Arthur and Vladivostock, is much more favourable to her than ours is to us, against any combination in which France has a place.

A further point has now to be considered. The Japanese bases were remote from the Russian ports,—a fact favourable to the superior naval power,—so that they were not exposed to torpedo craft and submarine attack in the early hours of war. Many, if not all, of our existing ports would be liable to such attack if France were an antagonist ; the points at which a large modern fleet can assemble on our coast are few and far between, and unless the statesmen in charge of our policy showed extreme energy and alertness, we might see the events of Port Arthur repeated against ourselves. In view of the refusal of British statesmen of all parties to take precautions on the eve of the Boer war, this is a danger which cannot be dismissed. Only extreme good luck and the excessive coldness of the weather, which prevented the torpedoes from running properly, saved the Russian fleet at Port Arthur from a far more terrible catastrophe than actually occurred. The fleet was fairly ready and on the look-out, yet so difficult is it to meet torpedo attack that the Japanese boats closed in to 500 yards, and, steaming at 4 knots, discharged some 23 torpedoes without receiving any damage. With average good luck they should have accounted for the whole Russian force of battle-ships.

Against Germany our risk in this direction would be less, though still considerable; against Russia it would be nil. But my point is that it is only reasonable, judging by probabilities, to anticipate that we shall suffer some mishaps of this kind, inasmuch as certain of our rivals are well equipped with submarines and torpedo vessels. It is, therefore, clear that our preponderance ought to be further increased, to provide a safe working margin, the more so as mines may be used against us with deadly effect. From the financial side I have already emphasised the importance of our from the first being able to hold our own, and the danger of naval Colensos.

The opinion of our admirals is that the British fleet is even now insufficient for its work. The official Admiralty return of battleships¹ shows that our force in numbers is only 67 battleships to the French 36, the German 38, and the Russian 30, in which, however, the Port Arthur fleet is reckoned. Numerically we have no advantage against two out of the three possible combinations, though, as I have shown, by taking a standard which roughly measures the quality of ships, we are considerably to the good. Nelson said with perfect truth that "only numbers can annihilate, and it is annihilation that the country wants," summing up in one sentence the modern principle of war. Numbers are not on our side. In 1900 the then commander-in-chief of our Channel Fleet, Admiral Rawson, stated at Glasgow, "We have not battleships and cruisers enough to meet any great

¹ For 1904.

emergency." Lord C. Beresford, the present commander of that fleet, many years ago laid down the standard required as superiority of one-third in every class of ship to possible enemies. The three admirals appointed to consider the lessons of the naval manœuvres of 1888, demanded an advantage of five or four to three in battleships, and seemingly, though they were not quite explicit on this head, two cruisers to the enemy's one. None of these standards is attained under present conditions, and that is a grave fact which the country would do well to lay to heart. Admiral Hopkins, late commander-in-chief in the Mediterranean, in his evidence before the Militia and Volunteer Commission, states that he does "not think our strength in connection with two Powers a sufficient standard." Lieutenant Carlyon Bellairs, who is one of the ablest of our naval writers and thinkers, is of opinion that in the most important class of all—battleships—England is not building up to the standard, and has plainly said so. It is thus evident that some of the best minds in this country—men who have had exceptional opportunities of judging of the efficiency and strength of the British navy, or who have made a special study of it—think it is still below our requirements.

Yet even if we provide a paramount navy, such a navy as the advocates of naval expansion require of us, we have to face the fact that no war in which we are likely to be engaged can be ended by the navy alone, and that we must have an arm to strike as well as an arm to fend off blows. The navy for

us is the defensive force ; we must, to end any war, be able to assume the offensive at some stage. That means that we must possess an army, and a well-trained army, with ample reserves, available for service in war. Without such an army, mere nervousness at home must tie a large part of our fleet to British waters, for it must be remembered that even in the Trafalgar period, when a very large and well-drilled military force was available in this country, it was never thought wise to denude our British seas of ships. There was a strong reserve maintained at home, numbering in July 1805, at one of the most critical moments of that great campaign, nine battleships. Without such an army we cannot make an alliance with any Continental State, such as may be necessary for our safety. France, for instance, if she is ever to become our ally, must be guaranteed the assistance of a powerful British army on land ; without that help she would have to face the full brunt of the onset of Germany, who has a much larger population, and may in the future have more flourishing finances.

Great as the task of maintaining a strong army as well as a strong navy must be, it is worth notice that this is being attempted by all the modern types of highly organised States. Japan, Germany, and France all are developing, or already have developed, great fleets as well as great armies, and it may be confidently predicted that the future is to the State which can maintain a fleet as well as an army. These foreign States are of course greatly aided by

compulsory service, which is the greatest source of economy ever introduced into military organisation. Without it one can never be certain of getting the required number of men, at any price, or, when the number of men is obtained, of getting the right kind of men. Though it is said to act as an economic handicap to the States which resort to it, facts do not justify this view. The advance of Germany, France, and Japan has been enormous under compulsory service, and is the more to be noted in that it has occurred under a protectionist régime which, according to our opponents, is the cause of all evils.

German thinkers hold that the organising power, the concentration of purpose, and the spirit of orderly obedience fostered by service in the army or navy, are of the greatest possible value in industrial life, and certainly facts seem to bear out this view.

As for the British army, in his evidence before the War Commission, General Kelly-Kenny stated that the men obtained as recruits are in mental qualifications below the general run of European soldiers (4559), physically defective, and insufficiently trained, because "if you train them as Continental nations do, either they will not come to you at all, or if they do come, they will either purchase their discharge or desert." "When we get the men," he went on, "they are not healthy men. I do not think they are a strong class of men (4736)." General Hildyard points out that the large number of absolutely illiterate men who join the army "cannot be expected to develop into very intelligent soldiers."

This evidence suggests plainly that the ranks of the army are filled with those who cannot obtain employment in civil life, because of bodily or mental deficiencies. Here or there there are a good many men actuated by the love of adventure, no doubt, but the great mass are driven by economic considerations to enlist. Bad trade and frosty nights are the agencies which fill the ranks of the army.

The question as to training raised by General Kelly-Kenny is of the most vital importance, and his statement that it is impossible to impose severe conditions of training on voluntary service men is borne out by Lord Wolseley. "Long days and nights out of bed," he says, "seriously affect the recruiting of a voluntary service army, and we cannot afford to ignore this fact. To work our men during manœuvres, as is often done abroad, would necessitate a far greater pressure upon our young soldiers than those responsible for the recruiting of our volunteer army can venture to impose during peace upon the rank and file." So that with voluntary service we are seemingly bound not only to have a small and expensive army, but also an inefficient army.

For compulsory service we know (from ministerial statements and the assertions of our free press) the country is not yet prepared. Indeed, looking at history, it is doubtful whether any nation has accepted such a sacrifice, except under the pressure of overmastering necessity. Nevertheless, the fact that compulsory service is banned means that the financial burden upon the tax-payer in this country

must be far heavier than it otherwise need be. As our navy expands—and its continued expansion is the condition of our existence, I will not say as an imperial power, but as an independent State—the demand which it makes upon our population for men must be ever greater and greater, and the terms offered must rise in proportion, thus automatically sending up the rate of pay in the army. Even now, counting in the foreign reserves, we have little advantage in trained seamen as against a single Power, and are inferior to any combination; yet a two-Power standard should surely provide a strength in trained men equal to that of the next two strongest fleets. Abroad, in France, Germany, Russia, and Japan, the saving caused by compulsory service is enormous. Counting every officer and man available for war I work out the peace cost per head of the seamen as being as follows for three typical countries:

	No. available.	Cost.
England . . .	173,000	£53
Russia . . .	120,000	10
Germany . . .	100,000	11

Germany gets her men for one-fifth the cost of ours—a fact which suggests the question, Can we, with voluntary service, in the long run hope to provide a stronger fleet than she does? If we attempt to provide such a fleet, may it not cost us so much that our industries, with our existing system of taxation, will be grievously handicapped in the world-struggle for trade supremacy? And that, after all, is a vital question for the nation. How

are we to get the money we want for the navy and army?

For, as it is, though, as I have shown, naval officers of distinction do not think our navy sufficient; though soldiers of at least equal distinction regard our army as being unsatisfactory both in numbers and in quality,—our outlay on armaments has reached enormous figures. To recite the statistics would be a tedious process, but I may say here that, so far as is possible, eliminating the special expenditure on the South African war, which may be treated as abnormal, but which at the same time was undoubtedly due first to the contempt entertained by the Boers for our military power; second, to the fact that this contempt was so far justified that our army was quite unprepared for war upon the modern scale—the outlay of England on defence slightly declined between 1860 and 1888—the period of Continental war and acute friction between France and Germany. Between 1888 and 1902, however, it more than doubled, and since 1902 there has been a further and a very marked increase, till at the present date our expenditure upon the army and navy combined may be placed at about £75,000,000. It was £29,000,000 in 1888, which gives a good idea of the advance in recent years.

When we ask ourselves how far this increase ought to bear upon the nation—ought, that is to say, in a State where the taxation was adjusted on modern principles—we are met with this fact. The income-tax returns, which, according to our Free

Trade opponents, are the supreme and conclusive tests of British prosperity, show that the advance in the national income has been greater in proportion than the advance in the expenditure on defence. If my income doubles, I ought to be able with care to pay twice as much for what is really the insurance of my prosperity. It is true that the income-tax returns are not accessible for the last two or three years, but on the period for which they are given in the Statistical Abstracts from 1860 to 1903, they exhibit a more marked advance than that in the outlay on defence. In 1860 we were spending on defence 9 per cent of our income; in 1902 only 8 per cent of that income. Why, then, is it that we feel this outlay to so much greater an extent—a fact which is probable from the complaints quoted at the opening of this lecture?

It appears to me to be because of our system of taxation. In 1860, before the abolition of a large number of customs duties, the middle and upper classes had not to bear so heavy a load. Throughout the period 1860-1898 the process of repealing duties and taxes which fell upon the whole population, and replacing them by taxes which fell upon only a part of the population, was in full swing. Our customs duties actually diminished between 1860 and 1898—which year I have taken as the last before the war upset our finances. On the other hand, the taxes levied on property were trebled, while at the same time the cost of compulsory education was laid mainly upon the same propertied class. So that the

mass of the nation obtained education at other people's expense, and paid far less in taxation, while the propertied class had to pay for the education of other people's children, and at the same time to defray a very large part of the working expenses of the State. I am not protesting against such a state of affairs, but merely stating facts; no sane person would now propose to abandon universal and compulsory education, which is vitally important if only for military reasons.

This was before the war, but since the war, while there has been a large increase in our customs tariff, though not in the direction of protection, there has been a further piling up of charges on the propertied class, so that no margin for future taxation remains here. The death duties, which are taxes on capital, and therefore objectionable from the standpoint of the financial purist, stand at a high figure. Stamps, a form of tax which falls almost entirely on the well-to-do, are very high; income-tax is now a shilling. Taking these three kinds of imposts together, they are expected to yield some £50,000,000 in the present financial year, and it must be remembered that this heavy charge falls on not more than one-tenth or one twentieth of the nation, and that this tenth pays in addition, customs, excise, and all the other taxes on what it consumes. It is just and right that the rich should pay more than the poor, but at the same time, seeing that the poor man has the same voting power as the rich, it is a question whether the taxation of the middle and upper classes

in this country has not been carried to extremes—to a point which is prejudicial to British industry and prosperity.

Though a committee is now sitting to deal with supposed evasions of this tax, it might with great propriety at the same time consider the many instances of undoubted hardship and even extortion. For example, a man who has invested his money in a coal mine must each year receive back, in addition to the interest on the capital, a portion of the capital itself. Yet the income-tax commissioners know no distinctions between interest and capital; they levy the tax on both alike. Again the income-tax professes to regard the income of husband and wife as one and the same, though the law takes another view. If A has before marriage an income of £400, and B, a lady, one of £400, before marriage these two pay only £24. After marriage they get no abatement, and find that £40 is levied upon them. Thus the tax is contrary to public policy in that it acts virtually in restraint of marriage; as to its abstract injustice there can be no question. But such weak points cannot be removed because of the empty exchequer.

A further and most important fact in its bearing on business is that the income-tax authorities refuse to make proper allowance for depreciation in taxing profits. Only 5 per cent on the value of machinery is allowed—a sum ridiculously insufficient in these days of rapid progress. Thus our industrial establishments are encouraged, indeed forced, to borrow for

the replacement of machinery, which should be provided out of income, with as result the progressive deterioration of the industrial position of the community. When first imposed, the income-tax was to be only a war impost; then Peel reintroduced it in peace to replace the protective duties on manufactures and food; now it has become the stand-by of the Exchequer. But it is at so high a figure that if we want further funds for defence we cannot go there.

An increase in the death duties would be quite as objectionable as an increase in the income-tax; it should be only the last resort, as it is taxation of capital, *i.e.* living upon your capital and not your income. A graduated income-tax might lighten the payments for the smaller incomes, but this would be at a sacrifice of simplicity in the machinery of collection, while it is also dangerous as tending to the socialistic extreme, of exploiting the industrious few in the interests of the thriftless many. Australia to my mind is the standing warning against the economic and political peril of socialism—a stagnant State, unarmed, and face to face with the expansive force of young Asia, existing on sufferance only.

An increase in the customs on the existing or non-protective plan, is as inexpedient as an increase in the income-tax. The duties on tea, sugar, and tobacco are very high as matters stand, and to pile up the load on them would probably lead to a decrease in consumption. Already the tea trade is complaining that the demand for tea is falling, and it remains to

be seen whether the new duty imposed will bring in as much as is anticipated. Sugar would perhaps stand a little higher duty, but even there with the increase there might be diminished consumption. A tax on land values is a favourite expedient of the Free Traders, but this would only add to the dearness of life in our great cities. For example, if municipal dwellings were taxed at their site value, the rents would have to be greatly increased. Such a measure would upset contracts and leases and render land even more unsaleable than it is to-day. But the proposal rests upon an ignorance of facts, as it ignores what I am informed by expert authorities is the case, that there is a sharp line of demarcation between agricultural and building land. This tax, though not in the abstract an unjust one, may well be an inexpedient one, and would render land dearer not cheaper.

As for excise, it is difficult to see how the existing enormous duties in this direction can be increased without affecting consumption. On abstract grounds it is not just that the class of the population which drinks alcohol should defray an excessive share of the cost of defending the State.

We have thus enumerated all the existing sources of revenue, and found that in no direction is there much prospect of obtaining the sums required for the reorganisation of our defences, so as to meet the rapidly increasing armaments of foreign Powers. There remains only one source of income which is as yet untapped—a tariff on imports of a competitive

nature. Such a tariff need not be primarily protective though it must indirectly protect. To this type of tariff all foreign Powers have been driven to resort by the same process of exhaustion through which we have passed here. In many cases they levied their tariffs in the first instance only to provide revenue in the easiest way, and with the minimum of friction. But finding that such a revenue tariff was convenient and stimulating to the national industries, because of its incidental protectiveness, they began to favour protection in itself as an abstract policy, and to remodel their tariffs accordingly. The difference between a protective and revenue tariff is as follows :— A protective tariff will graduate its taxation according to the degree of finish in the article imported ; it will not disdain, for example, to tax an article of which the importation is insignificant. A revenue tariff will make convenience of collection its sole standard, and will exempt those imports a tax on which would bring in but a derisive sum. The two forms of tariff thus proceed on quite different lines and are based upon different principles.

How largely the great States of the world have resorted to their customs to meet the cost of their defence can be seen by this comparison, which gives the increase in their customs between 1874 and 1898. The year 1874 is chosen because the returns of customs duties as given in the Statistical Abstracts begin then, while 1898 is selected as the last year before the Boer war. The increase has been as follows :—

Customs Duties, 1874 and 1898.	1874.	1898.	
Russia . . .	£7,900,000	£23,700,000	Trebled
France . . .	7,500,000	19,000,000	More than doubled
Germany . . .	5,760,000	23,600,000	Quadrupled
Italy . . .	3,300,000	8,700,000	Nearly trebled
U.S.A. . . .	33,400,000	30,300,000	Diminished
England . . .	19,500,000	21,300,000	Stationary

The United States are an apparent exception, because 1874 was a year of large imports while in 1898 trade was affected by the Spanish War.¹ But, generally speaking, outside England the custom duties were doubled or quadrupled by protective taxation, while in this country they remained stationary. Taking the German customs in 1902, the amount raised was £27,000,000, of which all but about £7,500,000 might be described as protective duties. Thus it will be seen that the customs abroad yield very large amounts from protective duties, while complaints against these protective duties are less and less heard, proving that they do not press severely on the industries or on the population.

If we in England had recourse to such a form of taxation we should naturally choose foreign manufactured imports for the heaviest duties, proportioning such duties to the degree of finish in the manufacture. Thus, completely manufactured goods would pay more heavily than half-manufactured goods, which are the raw materials of other British industries. A rebate of the duty paid would be granted where the half-manufactured import was worked up in

¹ American customs in 1903, £55,000,000.

England and then exported. This is done in the United States, and in most foreign countries. Food would be very lightly taxed, and raw materials would be exempt from duty—and in some cases, such as wool, where the raw material is produced at home, it might be wise to grant a small bounty upon the home product, the bounty to be provided from the taxes on foreign manufactures. To ascertain what such taxes would produce, we might assume duties ranging from 30 per cent to 10 per cent upon foreign manufactures, according to the degree of finish. Allowing for a decline in the importation, the yield of such duties would be about £15,000,000. Five per cent on food products, not taxed under our present system, would raise another £9,000,000, and give the Exchequer £24,000,000 in all, or an amount almost sufficient to maintain the army in normal years.

Under such a system it would be wise to allow rebates or considerable reductions of duty on colonial imports. It might even be well to arrange three classes in our tariff, the first and lowest for the units of the Empire; the second, or most favoured nation tariff, for Powers which granted England favourable terms; the third, or maximum tariff, for those who treated British commerce unfairly or severely. In so acting we should be following the example of most Continental States.

To derive any benefit from such a tariff and to prevent its proving injurious to our industries, it must be accepted for a considerable period, and tariff reform must be endorsed by the nation as its definite

policy. That is why any attempt to rush the question is to be deprecated. A period of change and alternation between Preference and Free Trade would be ruinous to everyone. The manufacturer must have confidence in the policy if he is to increase the capacity for output of his works; otherwise, now that we have grown accustomed to go abroad for most things, the duty may fall on the consumer. Only the rapid development of competition at home can keep prices down, and the rapid development of competition means the capitalists' confidence in the future. But if there is such confidence, the experience of the United States under the Dingley and M'Kinley tariffs warrants the belief that there will be little rise in prices, if any at all. On the eve of the M'Kinley Act the *New York Times*, which was hostile to that Act, asserted that the cost of living under it *must* rise one-fifth. It quoted a New York merchant to the effect that "the necessities of life *must* advance about 30 per cent." Yet Mr. Stanwood in his work on American Tariff Controversies tells us that "it is easily demonstrable that the cost of living to the average householder was lower rather than higher under the M'Kinley law." As a matter of fact, under the Act taxation on sugar was removed to the extent of between £6,000,000 and £10,000,000; and when the Democrats during the Cleveland regime reduced the tariff, they had to propose an income-tax as the one substitute to fill the treasury. One sometimes wonders at the confidence with which the Free Trader asserts that this or that must happen, because it is

laid down as an axiom in the political economies ; and the axiom that all duties fall upon the consumer certainly requires full proof before we can accept it.

Until we have exhausted the resources of a tariff taxing such articles as manufactured imports, it is ridiculous to assert that our finances are in an exhausted condition or unable to maintain the armaments necessary for the national safety. If only we could induce the colonies to levy a small surtax on foreign goods imported into their territories, and to apply this surtax to extra outlay upon the navy, we should have a further very valuable source of income for defence. The foreign imports into Canada, Australia, India, and South Africa, taking a recent year, were about £67,000,000, and a 10 per cent duty on these would yield at least £5,000,000, an amount which would be of the greatest service to the Admiralty, as it would enable that body to enlarge the shipbuilding programme, and to secure for the Imperial Navy undisputed supremacy and certainty of victory against any probable combination of Powers. But though it is a very noteworthy fact that the colonies at present, with the sole exception of India, contribute little or nothing to national defence, it would probably be unwise to look for any money contribution until some form of Imperial Federation has been introduced. Australia and Canada are not going to contribute large amounts to maintain forces controlled by the English House of Commons ; if those forces were controlled by the King it might be another matter.

The advantage of such a tariff, the proceeds of which should be applied to national defence, are obvious. The sum available would, indeed, vary from year to year, according as trade was good or bad; it might even diminish, if imports declined before the stimulus given by it to British industries. But it would not fall heavily on the nation or its trades; the tax-payer, if he made any payment at all, would make it in a number of small instalments, infinitely less onerous than the payment of a single large lump sum, as is the case with the income-tax. It would be a voluntary payment, to some extent, since the consumer has no need to buy foreign goods; it would to a great extent counteract dumping; it would widen the area of taxation, which is highly expedient in view of the manner in which that area has been restricted in the past thirty years by obsolete finance. It would not be unjust, as it would tax a large class of superior workers earning wages of sometimes so much as £5 per week, who at present make no adequate contribution to the revenue; and if it fell to some small degree on the poor, it must be remembered that the poor man has as much political power as the man with a huge business and a million or so invested, while it could easily be returned to the indigent in the shape of social reforms. So long as we deliberately abstain from such taxation we are meeting our competitors with one hand tied behind our backs. There is no getting away from this. By voluntary service we render our armaments enormously costly, and then by financial machinery

designed in the early nineteenth century we take every possible precaution to prevent the foreigner from paying any share of their cost, while he on his part shows no such consideration for us.

If then the revenue can be found for the necessary defences, the next question to be asked and answered is, What force ought the nation to provide? Here there is need for clear and careful thinking. The first point to be determined is the purpose for which our army is required, since it is generally admitted that our fleet must be such as to command the sea. So far this has not been decided, extraordinary as it may sound; and the information which the Militia and Volunteers' Commission extracted from the responsible authorities last year seems to show that even the Committee of Defence had not reached any definite conclusions on that head. No wonder that our army is the costliest in the world, and probably the least efficient, in relation to its cost.

Yet even here we can emerge from the Serbonian bog of doubts and conflicting purposes, if we are content to follow the advice of our great soldiers and the warnings of our best naval thinkers.

At sea we should be wise to act up to the Three Admirals' Report—that is to say, to provide five battleships to each three of the next strongest combination, and two cruisers to their one.

As the greater includes the less, so an army capable of fulfilling our undertakings given to the Amir of Afghanistan, and meeting the Russians in Central Asia, will meet all other claims. This is the

force which must be provided, and its exact strength can obviously only be determined by the Indian experts. "I doubt whether our existing responsibilities can be met by our army at its present strength," said Lord Roberts before the War Commission, yet the army has been diminished, rather than increased, since he spoke. Not only this, but we must provide the proper organisation, the general staff, the drill grounds on a scale suited to modern days of wide extension, the rifle ranges, the transport, the cavalry, the artillery equipped with up-to-date weapons, instead of ancient survivals. Yet it is reported that on financial grounds the Treasury refuses to sanction the expenditure needed to give effect to the recommendations of the committee of three, which has just been engaged in attempting to remodel the army. The history section of the General Staff, which should be strong, well paid, and amply provided with funds is, I am told, whittled down to one officer, who will not, even so, devote his whole time to the preparation of good military histories of past and recent campaigns. We are still without any pretence to a good official history of the Boer War; there is even no sign that a handbook has been drawn up containing rules and suggestions for the formation of auxiliary and irregular corps in war, so that a vast amount of experience, acquired at great cost in the Boer war, is in imminent danger of being lost. Our artillery is being rearmed with the new quick-firing gun with a deliberation which is alarming, though if it should

have to take the field with the present gun, guns and gunners would be simply wiped out. The excuse offered for all these derelictions of duty is want of money—the existing heavy pressure of taxation. I reply that nothing can excuse ministers who send a British army into the field equipped with the second best weapons. Let us imitate Japan, not Russia—Japan, who, for all her poverty, takes care to have only the very best. Bismarck has said in words which should stand to all time as the rule in these matters: “If we are obliged to stake the blood of our people against our enemies in the field, then we are bound also to provide them with the best weapons of offence and defence that money can procure.” If a nation is unwilling to make the necessary sacrifices in money for this end, how can it expect its soldiers and seamen to make the yet greater sacrifice of life—of all that they have to give—in its cause? Will not the selfishness which results in economy at the expense of the soldier’s life, react on the soldier’s character, by producing in his case a similar selfishness? Must it not inevitably depress the *moral* of any army?

As for the second-line troops behind the army, we have the ruling of the Commission which has sat to consider the state of the Militia and Volunteers, that in their present condition neither of these forces is fit for war, and that either a very heavy outlay is needed to bring them up to the modern standard, or a resort to compulsory service. We also have the fact that all our statesmen’s calculations are based upon the narrowest possible margins. In the wise

and far-seeing words of Sir R. Giffen, who is not by any means a wild Imperialist or a votary of what is called militarism, "whatever nice calculations we make, we should conform to the practice of engineers in estimating for works, and add a large percentage for underestimates and the unforeseen." There was no such margin in our calculations for the Boer war, with the result that only by a piece of the supremest good fortune did the Empire escape a great disaster. Are we quite sure that our naval calculations may not have been cut similarly fine? In 1889 Lord George Hamilton, when stating the basis upon which British naval programmes were framed, asserted that the speeches of all his predecessors at the Admiralty and previous prime ministers showed a paramount and underlying idea—that "our establishment should be on such a scale that it should be at least equal to the naval strength of any two other countries. . . . In order to prevent a great shock and disturbance to our trade and its consequent dislocation, due to apprehension of what might occur, it would be most necessary that there should at the outbreak of a war be a feeling of confidence in our naval strength. . . . No amount of foresight or calculation can anticipate naval combinations and naval movements. For the purpose of meeting such unexpected blows, we should have a considerable margin of reserve."

No one would be dissatisfied with this standard if it had been maintained. But though our naval estimates have grown enormously of recent years, I do not think it can be said that we have adhered

to our own standard. How can it be said that we have done so, when we find that in the last six years England has laid down or projected only 16 first-class battleships to Germany's 12, Russia's 9, France's 6, and the United States' 13? Many of these ships are not yet complete, some not even begun; but as they pass into service our position will change decidedly for the worse. Nor can we ignore the hostility of the German people, and even of the German Government, to this country—a hostility which did not exist when the standard of 1889 was drawn up. With such a feeling towards us on the part of Germans, it is certain that Germany would be an unfriendly neutral, if not an open enemy, supposing England to be engaged in war with a combination in which Germany formed no part. A diagram of naval expenditure which I have prepared, so as to show the increase between 1865 and 1904, indicates very clearly that by far the greatest proportionate increase has taken place in German naval expenditure. Starting from 1880, British naval expenditure has increased three and a half times, French by about 60 per cent, Russian four times, and German more than five times. It is probable that as one result of the weakening of Russia by the present war in the Far East, her pressure upon Europe will be reduced, and Germany will be able, spending less upon her army, to devote far larger sums to her navy. Notwithstanding official disclaimers, a large new German programme is known to be in contemplation.

We are inclined to think that because Japan has done so well in the present war, England, her supposed mistress, would be sure of victory in a great naval war. But we have, it is to be feared, overlooked the fact that the Japanese navy was not a mere copy of ours, but a positive improvement upon it. Everything in Japan was concentrated upon the one vital aim—efficiency for battle; there was no dissipation of energy and resources upon non-essentials; and this is the one certain test of fighting value. Until quite recent years it could not be said that the British navy showed the same overmastering concentration of purpose; and even to-day we are building vessels such as the *Encounter*, of obsolete type and insignificant fighting power, while all over the world we spend large sums in maintaining in commission old ships of low speed, in which a considerable number of officers and men are locked up with little chance of learning tactics and military duties. A recent letter of the Navy League gives the number of such ships as 24, manned by 3000 men, and having cost £1,500,000.¹

It is characteristic of our improvidence, and at the same time a distinct indication of some weakness in organisation, that joint manœuvres of the navy and army are never held in England and never have been held, though Japan and most other Powers have of recent years held such manœuvres, with the express object of securing thorough co-operation between the army and the fleet. To shooting again, the most

¹ The present Admiralty Board has eliminated these worthless craft.

vital part of the seaman's duty, the British navy does not give so much attention as the Japanese. The gun-sights of many of our best ships are very defective: there are complaints even to-day in the Channel Fleet; and the miserable shooting of the *Centurion* on the China station must be ascribed not to her gunners but to her guns. There was nothing like this in the Japanese fleet. I am informed on good authority that for some months before the war, the Japanese ships were continually at long-range target practice, and the result was seen when, without any loss, the *Asama* shot the *Varyag* to pieces in a quarter of an hour at Chemulpho, without suffering any harm. As yet another example of the thoroughness of the Japanese training for war, the fact may be mentioned that the Japanese destroyers before the war had each to fire once a quarter a live torpedo, while the methods of attacking a hostile fleet with the torpedo were worked out with a care and attention that led me to expect even greater results than those actually attained in the magnificent attack of February 8 on the Port Arthur fleet.

All these matters mean money, and we English act up to our own proverb by spoiling a superb ship for a halfpennyworth of tar, so far as the navy is concerned, though I confess that a good many pennyworths are needed to bring the army up to modern standards. We need a general staff for the navy, more encouragement given to officers who study languages, larger allowances of ammunition for target

practice, a historical section which shall exhume our own past campaigns from the dust of the Record Office, and a stronger naval programme in the direction of battleships.

In the near future, in view of the determined efforts which Germany and Russia are making to acquire sea-power, we cannot expect to reduce our outlay on the navy by one penny piece; indeed, either the naval estimates must continue to rise, or we must drift into a position of the extremest national danger.

It is said, indeed, that by changing our policy we can lower our navy and decrease our armaments. That is a common assertion of the Liberal party. But when we analyse the statement we find that the change in policy is to accept whatever terms our rivals dictate—in other words, to abnegate our will. Of course, if we are prepared to surrender to any foreign demand, we need no armaments; that is a matter which is fairly obvious. But at the same time history shows that surrender to an alien will is a very dangerous and expensive policy in the long run. There could be no better example of this than the fate of Holland in the great French war. The Dutch, because they were unwilling to make great efforts for the defence of their national independence, saw their country overrun and practically annexed by the French; in the words of a French writer, it was compelled to pay to France “enormous contributions, while paying, equipping, and maintaining, under the title of auxiliary troops, a permanent French

garrison of 18,000 to 25,000 men. . . . In 1804 the cost of the French invasion and occupation to Holland could be reckoned at £20,000,000." A few years later, under French rule, the cost of the Dutch army and navy alone exceeded the revenue, and a large debt was incurred in providing for the expenses of government, of which two-thirds were repudiated by Napoleon when he seized the country. "Discouraged, numbers of inhabitants quitted the country, and these emigrations, by augmenting the charges to be supported by those who were left, increased the public misery." The burden fell most heavily upon the poor who could not escape. So that Holland paid a terrible price for her economy.

That armaments are necessary, no student of history can deny. History proves that war is a permanent feature of human life and intercourse, because from time to time there must always be conflicts of will and policy. The extent of those armaments must be conditioned by the nature and strength of the probable assailants. Our existing army is too weak and badly organised and equipped; while even our navy is not up to the standard which British statesmen have laid down. Under such conditions, it is impossible for wise men to countenance heavy retrenchment in this direction. Any reluctance to bear the burden would compromise the future of the Empire, the existence and independence of the State. Possibly it will not be for long that the weary Titan will have to stagger under his load; as the Colonies grow in strength and numbers, they

may show greater willingness to share the responsibilities as well as the advantages of Empire; and may take up the duty which we have so far discharged for them, when England verges to an honoured old age, as the children support the parent. But that time is not yet. In the meanwhile we must be patient.

Yet with the increase in the outlay on armaments and national defence, our old system of finance is proving more than ever unsatisfactory; it is laying an immense burden upon a very few shoulders, with the natural result that murmurs of revolt are beginning to be heard. It is inelastic, inexpansive, prejudicial to British industry, unduly favourable to the foreigner, disdainful of the welfare of the Colonies, on whose expansion our future so largely depends. It is based on axioms the truth of which may be at least disputed. It abandons the fate of the State and the people to drift and chance, which it has christened Nature. The other policy of imposing taxes on foreign competitive imports, with lower duties on colonial produce, would spread the burden of taxation, perhaps compel the foreigner to contribute in some degree; and even if the sole weight fell upon the shoulders of this nation, we should be able to justify the imposition of that burden by an appeal to the spirit of self-sacrifice and devotion to noble ideals, without which no people can remain great. It would shelter British industry from attack, and give it a security which it has not known for the last thirty years. It would provide ample funds

from new sources, and perhaps enable the State to remit some of the existing taxes which bear heavily upon the productive power of the nation, with the result that in war resources would remain to be tapped without great disturbance of our system. The system of finance which we advocate is national, not cosmopolitan, and seeks to establish distinctions in its treatment of goods produced under the flag and goods produced by foreigners. It regards industries as being ultimately the source of dominion and Empire.

Thus in the long run military reform and fiscal reform have one and the same end—are two different aspects of the combat for life among peoples. Both seek to make the best use of the national resources for national aims, and in so doing proceed upon the evidence of history and statistics, not upon the assertions of dreamers in cloudland, with their vague speculations as to the possibility of universal peace—which means the end of all competition—and their theory that in its nature modern trade is a co-operation, not a competition. Holding as we do this belief, it is our duty to work in order that we may convince the nation of the necessity for further efforts, perhaps for greater sacrifices; to work sometimes silently, always patiently, ready ourselves to accept the sacrifices which we urge others to make.

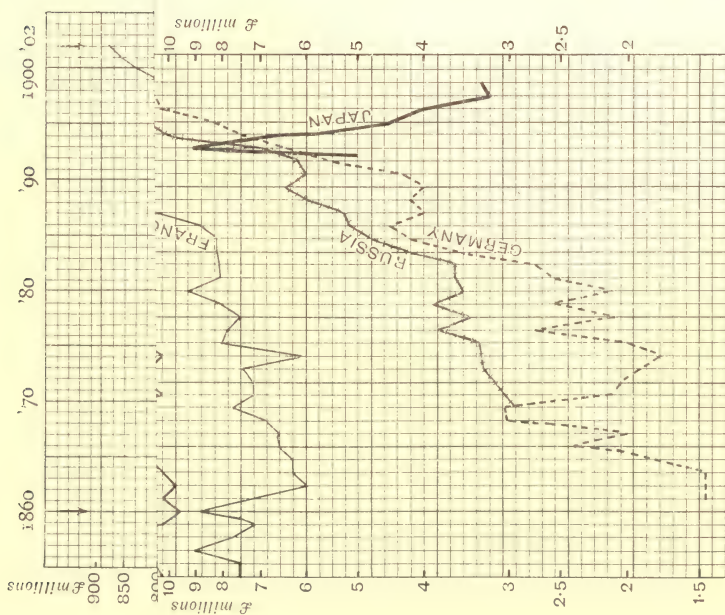


Diagram showing Naval Expenditure of the Powers, 1865-1904.
(Scale Logarithmic.)

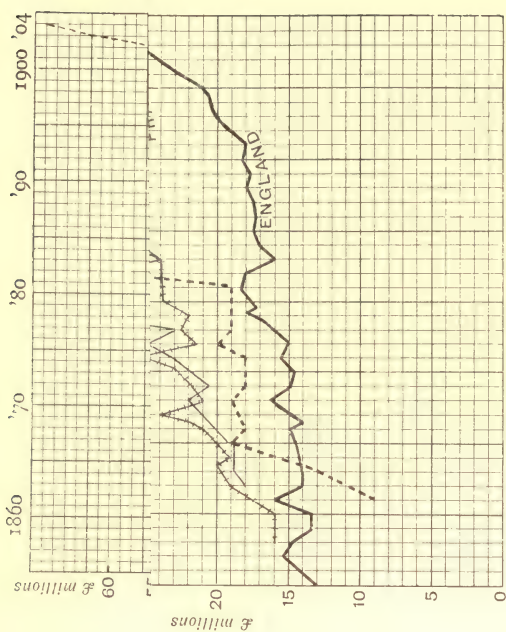


Diagram showing Military Expenditure of the Powers.
(Scale Arithmetic.)

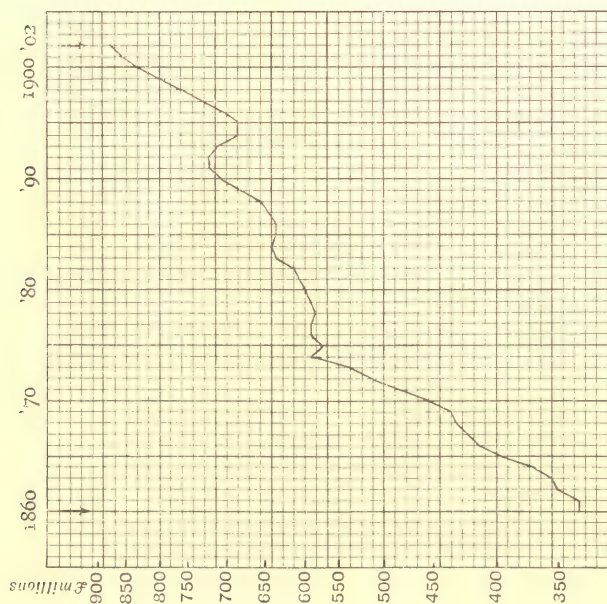


Diagram showing Increase of Income brought under notice of Income Tax (Commissioners, 1860-1902. United Kingdom. (Scale Logarithmic.)

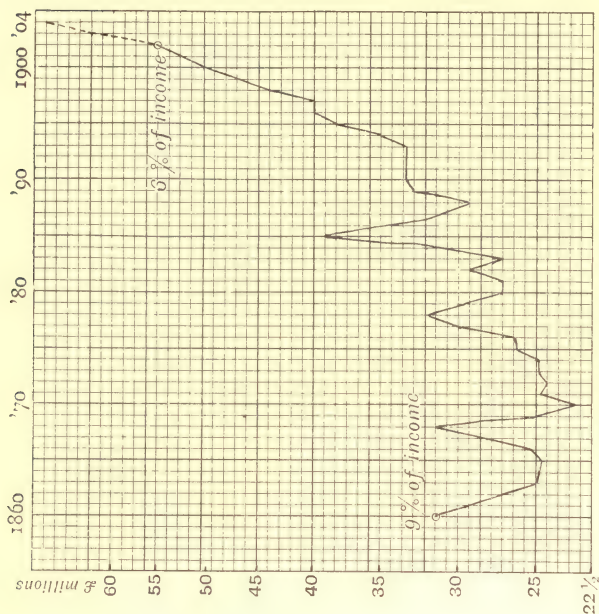


Diagram showing Total Expenditure of United Kingdom on Armaments 1860-1904. (Scale Logarithmic.)

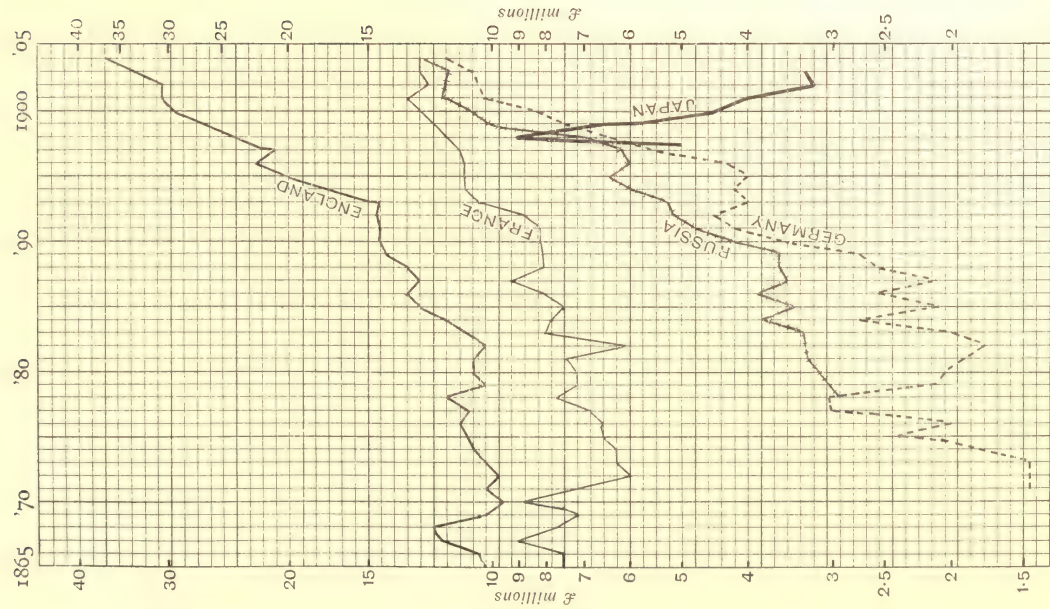


Diagram showing Naval Expenditure of the Powers, 1865-1904.
(Scale Logarithmic.)

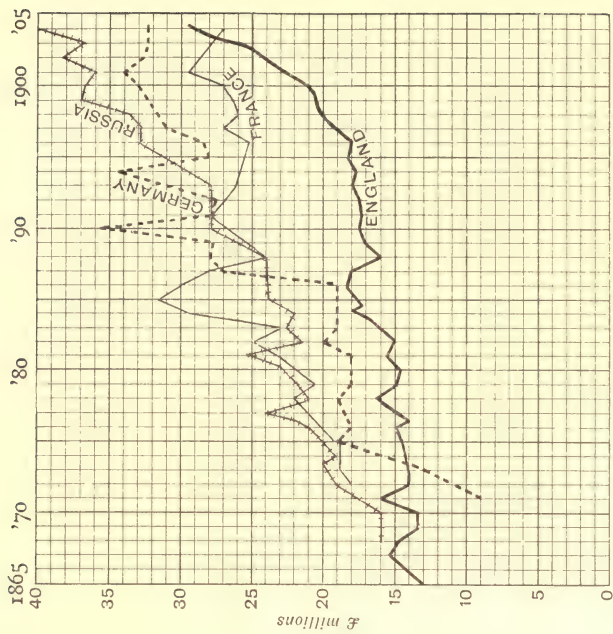


Diagram showing Military Expenditure of the Powers,
(Scale Arithmetical.)

TABLES

BATTLESHIPS OF THE EIGHT GREAT NAVAL POWERS
MODERN ARMOURED CRUISERS

BATTLESHIPS OF THE EIGHT GREAT

Year.	England.	France.	Russia.	Germany.
1893	Renown (1)	Bouvet (1)	Seniavin (3)	Kaiser Friedrich III.(1)
	Magnificent (1)	...	...	Odin (3)
1894	Majestic (1)	Charlemagne (1)	...	...
	Hannibal (1)	...	...	...
	Jupiter (1)	...	...	...
	Mars (1)	...	...	...
	Prince George (1)	...	...	...
	Victorious (1)	...	...	...
1895	Illustrious (1)	St. Louis (1)	PERESVIET(1)	...
	Cæsar (1)	...	Oslabia (1)	...
	...	...	Rostislav (2)	...
	...	...	Apraxine (3)	...
1896	Albion (1)	Gaulois (1)	...	Kaiser Wilhelm II. (1)
	Glory (1)	...	...	...
1897	Vengeance (1)	Henry IV. (2)	Prince Potem- kin (1)	Kaiser Wilhelm der Grosse (1)
	Ocean (1)	...	...	...
	Goliath (1)	...	...	...
	Canopus (1)	...	...	...
All ships from 1898 are				
1898	Formidable	Jéna	RETWISAN	Kaiser Karl
	Irresistible	...	POBIEDA	Kaiser Barbarossa
	Implacable	...	...	...
	London	...	...	...
1899	Bulwark	Suffren	Borodino	Zähringen
	Venerable	...	Orel	Wittelsbach
	Duncan	...	Alexander III.	Wettin
	Cornwallis	...	Tsarevitch	...
	Exmouth	...	...	...
	Russell	...	...	...
1900	Montagu	...	Kniaz Suvarov	Mecklenburg
	Albemarle	...	...	Schwaben
1901	Queen	<i>République</i>	<i>Slava</i>	Braunschweig
	Prince of Wales	<i>Patrie</i>	...	Preussen
1902	King Edward VII.	<i>Justice</i>	...	<i>Hessen</i>
	Dominion	...	...	<i>Elsass</i>
	Commonwealth	...	...	...
	<i>Hindustan</i>	...	...	...
1903	<i>New Zealand</i>	<i>Democratie</i>	<i>Paul I.</i>	<i>Lothringen</i>
	Triumph	<i>Liberté</i>	<i>Andrei Percov- vanni</i>	<i>N</i>
	Swiftsure	<i>Verité</i>	<i>Zlatoust</i>	...
	...	...	<i>Evstafi</i>	...
1904	<i>Britannia</i>	...	[C]	<i>O</i>
	<i>Africa</i>	...	[D]	<i>P</i>
	<i>Hibernia</i>	...	...	...
	[<i>Lord Nelson</i>]	...	...	...
	[<i>Agamemnon</i>]	...	...	...
	...	...	...	...
Totals	42	13	20	19

Ships incomplete, November 1904, in italics. Ships in capitals were lost in the war.

NAVAL POWERS, LAID DOWN 1893-1904

Italy.	Austria.	United States of America.	Japan.
...	Monarch (3)	Iowa	...
...	Wien (3)	...	...
St. Bon (2)	Budapest (3)	...	Yashima (1)
E. Filiberto (2)	...	...	Fuji (1)
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	Kearsarge (1)	...
...	...	Kentucky (1)	...
...	...	Illinois (1)	Shikishima (1)
...	...	Alabama (1)	Asahi (1)
...	...	Wisconsin (1)	HATSUSE (1)
...	...	...	...
...	...	...	...
first-class, unless otherwise marked.			
Regina Margherita	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	Habsburg (2)	Maine	Mikasa
...	Arpad (2)	Missouri	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
Ben-Brin	Babenburg (2)	...	...
...	...	...	...
Vitt. Emanuele	Erz. Karl	Virginia	...
Regina Elena	Erz. Drache	Rhode Island	...
...	...	New Jersey	...
...	...	Nebraska	...
...	...	Georgia	...
...	...	...	...
Neapoli	C	Louisiana	...
Roma	...	Connecticut	...
...	...	...	...
...	...	...	...
...	...	...	...
[C]	...	Vermont	Katori
...	...	Kansas	Kashima
...	...	Minnesota	...
...	...	Idaho	...
...	...	Mississippi	...
...	...	New Hampshire	...
9	9	21	8

Ships not laid down, November 1904, in brackets.

MODERN ARMOURED

Year.	England.	France.	Russia.	Germany.
1896	...	Jeanne d'Arc	...	Bismarck
1897	...	Dupetit Thouars	...	...
	...	Gueydon	...	...
1898	Cressy	Montcalm	...	Pr. Heinrich
	Aboukir	...	Gromoboi	...
	Hogue	...	...	...
	Sutlej	...	...	...
1899	Euryalus	Dupleix	BAYAN	...
	Bacchante	Desaix	...	...
	Drake	Kléber	...	...
	Good Hope	Gloire	...	...
	Leviathan	Condé	...	...
	King Alfred	Sully	...	...
	Monmouth	Amiral Aube	...	...
	...	Marseillaise	...	...
1900	Bedford	...	...	Pr. Adalbert
	Kent	...	...	...
	Essex	...	...	...
1901	Cornwall	<i>Jules Ferry</i>	...	Pr. Karl
	Suffolk	<i>Léon Gambetta</i>	...	...
	Berwick	...	...	...
	Cumberland	...	...	...
	Donegal	...	...	...
	Lancaster	...	...	...
1902	<i>Argyll</i>	...	...	<i>Roon</i>
	<i>Hampshire</i>	...	...	...
	<i>Roxburgh</i>	...	...	...
	<i>Antrim</i>	...	...	...
	<i>Carnarvon</i>	...	...	...
	<i>Devonshire</i>	...	...	...
1903	<i>Duke of Edinburgh</i>	<i>Victor Hugo</i>	...	<i>Er. Deutschland</i>
	<i>Black Prince</i>	<i>Ernest Renan</i>	...	...
	<i>Warrior</i>	<i>Jules Michelet</i>	...	...
1904	<i>Achilles</i>	<i>Edgar Quinet</i>	[<i>Three projected</i>]	...
	<i>Natal</i>	...	...	...
	<i>Cochrane</i>	...	...	[<i>New ship</i>]
	<i>Orion</i>	...	...	...
1905	<i>Minotaur</i>	...	...	[<i>New ship</i>]
	<i>Shannon</i>	...	...	...
	<i>Defence</i>	...	...	...
Totals	36	18	5	8

CRUISERS LAID DOWN

Italy.	Austria.	United States of America.	Japan.
...	Kaiser Karl	...	...
...	...	...	...
...	...	...	...
Garibaldi	...	...	Tokiwa
Varese	...	...	Asama
...	...	...	Idzumo
...	...	...	Yakumo
F. Ferruccio	...	...	Adzuma
Basilicata	...	...	Iwate
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	Radetzky	...	...
...	...	...	...
...	...	...	...
...	...	Colorado	...
...	...	Maryland	...
...	...	S. Dakota	...
...	...	Pennsylvania	...
...	...	W. Virginia	...
...	...	...	...
...	...	California	...
...	...	Charleston	...
...	...	Milwaukee	...
...	...	St. Paul	...
...	...	...	...
...	...	Tennessee	...
...	...	Washington	...
...	...	...	...
...	...	...	Kasuga
...	...	...	Nisshin
...	...	[A]	...
...	...	[B]	...
...	...	...	...
...	...	...	A
4	2	13	9

III

IMPERIAL PREFERENCE AND THE COST OF FOOD

By SIR VINCENT CAILLARD

THE subject which it is to be my privilege to discuss in the present paper is one not only of some complexity, and of essential importance in its relation to the great Imperial questions which we shall certainly find ourselves obliged to solve in the near future, but it presents the singular difficulty of being emphatically new. There are no precedents, so far as I am aware, which may guide us, for no other nation has ever known similar conditions to those which now confront us. Considered in its entirety, it is not a question of pure economics, although that is the side to which I shall chiefly attach myself this afternoon. Considerations of policy—of Imperial policy—are intimately bound up with it. On the other hand, to approach it solely from the point of view of Imperial policy, and to relegate, as once did the foremost of Free Trade Ministers, what is known as political economy to

the planet Mars, would be to mistake altogether one of the main objects held in view, namely, the progressively increasing prosperity and power, not only of this country, but of all parts of the British Empire. The truth is that, for us Englishmen, the newness of the problem lies a good deal in the fact that for a great many years we have as a nation committed the error of treating political economy as if it were all economy and no politics,—of attaching ourselves solely to one half of the subject and leaving the other half entirely out of view.

Admitting this, it might be urged that since other peoples, such as those of Germany and the United States, have not committed the same error, but have frankly treated their own fiscal problems as both political and economic, we might usefully turn to them for precedents and follow in the lines which they have laid down for themselves. That we might learn useful lessons from them is, I think, unquestionable ; but that we should be disappointed in a quest for precedents as applicable to ourselves as to them is equally true. To show that this is so would need a historic excursion which would take me far away from my present subject, and would require at least one whole separate lecture for anything like proper treatment. While, therefore, in no way depreciating the lessons which can be learnt from other countries, —while, indeed, insisting upon the great importance of familiarising ourselves with the history of such a combination as that of the German Zollverein, and the striking example of economic self-sacrifice for

great political and economic ends set, in the course of it, by Prussia, or with that of the United States, with their far-seeing system of inter-state freedom of intercourse and communication to the great advantage of the whole by disregard of any particular or exclusive self-advantage of any part,—I propose that we should confine ourselves now to the special conditions of the British Empire, and of their bearing upon the question of food-taxation in this country.

I

What are these special conditions? The first and the most obvious is that the British Empire is most widely dispersed,—scattered, literally in the four corners of the earth, separated by vast continents and “a world of seas.” This is, I say, the most obvious, and the first, at any rate, to strike the imagination; but it is certainly not the most important. Its disadvantages are easily exaggerated, and anything but insuperable. One of them, indeed, the immense difficulty of verbal communication, may be said to have been entirely overcome by means of the electric telegraph: whereas, formerly, one part of the Empire may be fairly described as having known, in regard to most other parts, only what was becoming their ancient history, now there is daily, and in case of need, hourly intercourse among all parts. The immense importance of this facility of intercourse in the promotion of a common life among all parts of the Empire needs no demonstra-

tion : to allude only to what certain transcendentalists are pleased to call the "squalid" elements of Empire, the advantage from the workaday human point of view of being able to effect commercial transactions—and the connection of this with our present subject is self-evident—almost as easily between, say, Montreal or Sydney and the Metropolis, as between one part of London and another, is invaluable.

Again, the difficulty of physical communication among the various parts of the Empire has enormously decreased since the days when this was possible only by means of sailing ships. The sea-ways which bind us together were then precarious, uncertain, and lengthy : the despatch of either travellers or merchandise could not even be absolutely relied upon for fixed dates : their arrival at their destination in a given time could not be relied upon at all. Now all works at quadrupled speed, and with such regularity, that if a ship does not arrive in port within a few hours of her booked time, alarm is felt as to her possible fate : her departure from her port of lading takes place almost to the minute. Then with the uncertainty and slowness of communication has disappeared a notable portion of the expense : sea-freights being still far cheaper than land-freights, the cost of communication between distant portions of the Empire and the Metropolis does not largely outbalance that of communication between distant portions of a great Continental Empire—using the term in its general sense—such as Russia or the United States.

I do not here enter into any discussion of the exposure to, or immunity from, hostile attack of our sea-communications in time of war. For the purposes of our present discussion, I must assume that we keep invincible command of the seas: indeed we are bound to maintain this, unless we are prepared to sacrifice our great position in the world on the altar of economy, fatigue, or mistaken selfishness or self-indulgence—a proposition which, I apprehend, few Englishmen would consent to discuss. The assumption, therefore, is not of an impossibly far-fetched kind.

With this assumption we may, I think, fairly say that in the respects to which I have above alluded, the advantages which land-empires are usually declared to possess over our sea-empire are, as a general rule, a good deal exaggerated.

On the other hand, and this is the truly important point, we possess advantages which they possess in a less degree only—advantages of a variety of climate, soil, and product, unmatched by any other Empire in the world. There is scarcely any commodity requisite to minister to the wants, or even to the luxuries of mankind, which could not be produced within the British Empire under conditions of natural advantage equal, if we would set our energies and resources to work upon our own estates, to those possessed by all other countries of the world put together.

There is one other class of special conditions, namely, at any rate so far as fiscal matters are

concerned, the virtually complete autonomy or independence of the great self-governing colonies. These, however, I do not propose to discuss. To observe what may be the effect of Imperial preference upon the cost of food, we must admit the preference, and suppose any possible difficulties—I do not say there will be any, but we cannot deny their possibility—overcome.

II

It may appear that I have, so far, been indulging in somewhat large generalisations, but it was necessary, in order to grapple more closely with “Imperial preference and the cost of food,” that we should first clear the ground, and I can now enter into somewhat more detail. Before considering what might be the effect upon the cost of food in this country of Mr. Chamberlain’s proposals, we must, for instance, first examine what may be the actual possibilities of food-production within the British Empire. Let us turn our attention to corn-stuffs, and, as courtesy demands, let us consider in the first place the potentialities of our great sister-states before we speak of ourselves.

At the census of 1891 there were 2,700,000 acres under wheat in Canada, of which 2,200,000 (which had increased in 1902 to 2,900,000) acres, yielding an average of about 26,000,000 cwts. of grain, are situated in Ontario and Manitoba. In the latter province alone it is estimated that there are 4,000,000 acres of some of the best land for wheat-growing in

the world, while Sir Wilfred Laurier, in his farewell speech of 1902, reminded us that 50,000,000 acres lay awaiting cultivation and development in the Dominion. That his words were rather an underestimate than an exaggeration is certain if we may rely, as it need not be doubted that we may, upon the affirmations of other distinguished and, indeed, more special authorities. Mr. C. N. Bell, the Secretary of the Winnipeg Grain Exchange, points out that with the respective receipts of wheat in 1902, of Winnipeg, Duluth Superior, and Chicago, at 51·8, 42·4, and 37·9 millions of bushels—

It will now be in order, as far as relates to the grain arrivals at least, to abandon the trite saying that "Winnipeg will some day be a second Chicago," for Chicago makes a poor show as compared with this great wheat-handling centre.

Mr. George Johnson, the Dominion statistician, writes in *Bradstreet's* (Jan. 1904):

The imported wheat supply required to supplement the home-grown and feed the inhabitants of the British Isles, looks large. It is 201,000,000 bushels a year. It is really not an overwhelming quantity when the extent of the wheat-lands of Canada is considered.

After mentioning the immense available acreage (777,000,000 acres in the three provinces of Quebec, Ontario, and Manitoba, and the four southerly territories of Assiniboia, Alberta, Saskatchewan, and Athabaska alone), and after alluding to the great development of machinery for extensive farming,—

steam and electricity being utilised "so that one man can do the work ten or twenty did a score of years ago,"—he continues thus :

Let us see how far we have already got towards the goal of 200 million bushels. The wheat acreage in Manitoba alone in 1902 was 2,040,000 acres, and that acreage yielded 53,000,000 bushels of wheat. Four times that acreage, at the Manitoba rate of 1902 per acre, would yield all that Great Britain requires, with 20 million bushels over. And Manitoba contains 64,000,000 acres of land surface from which to select the 8 million acres required. In 1889 Manitoba had 623,245 acres under wheat. Without any stimulation, just by ordinary operations of settlement, the development has been from 623,245 acres to 2,100,000 acres, and the production from 7,200,000 to over 53 million bushels.

I might appeal to another unquestioned Canadian authority, but in order not to extend this portion of my paper to too great a length, I will pass him by, and turn to a United States Government Report on Canada published in 1902.¹

Experience has demonstrated [it says] that crops in general in Canada, and especially the wheat crop, are as sure and reliable as anywhere on the Continent [of America], while the cost of production is as small, and the yield as great, as in any other locality. The average yield of wheat during the past twenty years has been over 19 bushels per acre. The area of land in the district adapted to the production of wheat is over 350 million acres, and it is safe to say that 250 million of these acres

¹ *Commercial Relations of the United States with Foreign Countries during the year 1901.* Washington, 1902. Vol. i. p. 340.

are of unsurpassed fertility and have climatic conditions favourable to the production of the best grades. Less than 2 per cent of this available wheat area is now under cultivation, but the tide of immigration has turned this way, and the next few years will see much of this land turned into wheat-fields, and an enormous amount produced for export. Taking the average yield for this country during the last twenty years, a crop from all the wheat-land in the district tributary to Winnipeg would produce more than the entire world's consumption for one year.¹

Here, you see, we have the testimony of a foreign and impartial authority, the estimate of whom exceeds that of the home-born, and, one would therefore suppose, more partial Canadian.

But we have not got Canada alone to consider. From the Commonwealth of Australia and New Zealand we now take 5 per cent of the wheat which we annually import. This consists almost exclusively of the surplus from the fields of Victoria, South Australia, and New Zealand. In Victoria wheat is grown on about 2 million acres, but it has been estimated that over 40 million acres of land in the colony could be put under this crop, and that satisfactory

¹ Since this Lecture was delivered the following remarkable figures have been published in regard to the United States' wheat and flour exports. These were for the first nine months of 1904—(no later figures are available, but the last three months cannot nearly make good the decrease)—9·7 million bushels against 54·8 million bushels in 1903, the lowest year since and including 1897. Flour exports for the same nine months of 1904 fell to 9·04 million barrels from 13·5 million barrels during the corresponding period of 1903. The Chief of the Bureau of Statistics calls attention to the fact that the decrease is due, not to shortage of crops but to increased home consumption. Thus the "dear loaf" seems imminent unless there is a rapid development of fresh sources of supply, as there would be under Mr. Chamberlain's scheme.

yields could be obtained in four out of five years, even on the arid soils of the Mallee. The available area of land suitable for wheat in New South Wales is officially stated at between 20 and 25 million acres. In Queensland, too, it is said by the authorities, there are millions of acres of fertile soil on the Darling Downs, profitlessly employed in supporting less than one sheep to the acre, pending a remunerative demand for wheat. Within the boundaries of the three mainland colonies mentioned, and excluding the large areas awaiting cultivation in South Australia and Western Australia, there is available, according to official estimates, more than sufficient land, even at the low average yield of 8 bushels per acre, to meet our present demand for wheat and other grains.

South Africa cannot, for the present, be taken into account, but, looking to the future,—and I would here ask you not to share the curious error of the “Free-Importers,” who fix their attention exclusively on present conditions as if they had reached the stage of petrification, and could never, for all time, be altered,—it may be pretty confidently predicted that, if a proper system of irrigation is established, as there need be no doubt that in course of time it will be, vast tracts of territory will, as Sir William Willcocks has reported to be feasible and practical, be brought under cultivation there also.

India must, under actual conditions, be regarded as an uncertain factor, owing to the periodical recurrence of famine years. On the other hand, in good years we import considerable quantities of Indian

wheat. Allowing for area cropped more than once, 182 millions of acres are devoted to the production of food grains, and there exists a culturable waste area, other than fallow, of 106 million acres. According to a statement issued in 1893 by the Revenue and Agricultural Department, good cultivation, assisted by irrigation and manure, may in India, even on land originally poor in quality, secure a return of 30 bushels of grain per acre, whereas the present average yield is about 10 bushels. Thus, as canal irrigation advances, an expansion of the area of cultivated land and a greater return per acre may be expected. On the other hand, it is improbable that there will be appreciably larger exports of food-stuffs unless prices attain a somewhat higher level, or costs of transport and production are reduced.

I have mentioned India and South Africa *pour mémoire*, as it would be a profound error, in considering the food-producing capacities of the Empire, to leave them on one side. I will now ask you not to forget that, in spite of the great difficulties and the tremendous competition that it has had to meet, home agriculture still produces about a quarter of our wheat supply, nearly two-thirds of our supply of barley, and over three-quarters of our supply of oats.

Omitting the possibilities of India and South Africa, and taking into account only those of Canada, Australia, and the United Kingdom, or, if you will, and to make my case still stronger, omitting the last two altogether, and considering British North America only, I hope to have been able to make it clear that

by taking advantage of the immense cultivable areas still lying unproductive for want of working hands, the whole supply of wheat which we need can be produced for us within the Empire in successful competition with the producers of any foreign country.

Turning now for a few moments to the question of our meat and dairy supplies, I think that, on examination, you will find it to be no exaggeration to affirm that our Imperial possibilities are little, if at all, inferior to what I have already shown to be the case in regard to wheat. Bacon I leave, for the purposes of this discussion, out of account, since it has been specially excluded from the proposed scheme of taxation. Of mutton we already import more than half from Australia and New Zealand alone (in 1902 £3,763,000 worth out of £6,915,000). From Canada we now import one-eighth of the live animals imported for food, practically the whole of the remainder coming from the United States; but when you consider the vast prairie-lands in the North-West Territories, eminently suitable for cattle-rearing, which still lie waiting to be used, there is no great optimism in supposing that these figures might in the course of time be reversed. As things stand at present, the total value of meat imported into these islands reached in 1902 the large figure of £48,000,000, of which British possessions furnished nearly £9,000,000, or rather less than one-fifth. But here again I must insist on the necessity of looking to the future rather than of dwelling upon the present. From lack of

guidance—I venture even timidly to suggest from want of statesmanship, not altogether confined to ourselves, but, though no doubt the degree of error in their case is less, evinced also by our colonial brethren—we have neglected to cultivate our own estates, and have devoted the chief part of our energies, whether in capital or labour, to the development of the estates of others. What we now are considering is the potentiality of our own estates, supposing we at last turn the main part of our attention to them.

Now, whereas in the matter of the supplies of corn-food I have laid particular stress upon the possibilities of Canada, and while there can be no reasonable doubt that in the supplies of meat and of dairy produce the resources of the Dominion can be enormously developed, I believe it will be acknowledged that for the two last categories it is Australasia which affords the greatest possibilities. Not many years ago such an affirmation as this might have been justly laughed out of court. But the progress of invention, to which many of Mr. Chamberlain's opponents seem wilfully to blind their eyes, has already revolutionised conditions. In the words of Mr. Charles Lance, to whose able and intensely interesting paper, entitled "Australia as a Food-Producing Country,"¹ I am indebted for most of the details which I am now placing before you—

Wanting refrigeration, Mr. Chamberlain's scheme for preferential trade would have been impossible, or at least

¹ *Journal of the Royal Colonial Institute*, February 1904.

shorn of its far-reaching significance. In a word, refrigeration has equalised climate and annihilated distance, has revolutionised modern life, and may yet be the most potent factor in the federation of the Empire.

The difficulty of distance has then, in this respect, been virtually overcome. There remain two others, namely, the liability over a large portion of the Continent to prolonged drought, and the cost of freight. In regard to the first, great progress has already been made towards its solution by the extensive and instructive experiments which have been made in artesian irrigation. Beneath the driest parts of Queensland, New South Wales, and part of South Australia, there is now known to lie an artesian area of 500,000 square miles. Bores have been put down in Kellara and Kerribee, in New South Wales, from which latter a flow of 1,750,000 gallons per diem was obtained, at a depth of 1340 feet. On 30th June 1902, 563 effective flowing bores in Queensland yielded 375 million gallons per diem, and in New South Wales 200 bores yielded 80 million gallons per diem. In both States and in Southern Australia the work is being continued. The marked success of the Government irrigation farm at Moree, in New South Wales, during the recent drought, points directly to the extraordinary value of these artesian discoveries. At the same time, considerable work is being done in the way of river irrigation, which will ultimately bring a large area of rich land into pasturage.

Thus the extension of the productive area of the

continent of Australia may be looked upon as a certainty, and her power to supply our home market will, of course, grow in proportion. But we should be wrong in supposing that she must wait for the results of irrigation before she can successfully compete with her foreign rivals. Already, as I have shown, the supply of mutton from Australia to this country is enormous, and it can be largely increased. For the raising of cattle Queensland offers greater advantages than any other country in the world. From the northern territory of South Australia a considerable extension of beef exports may be looked for in the near future. I might say that this is a matter on which I can speak with some confidence, since I had occasion not long ago carefully to consider the conditions of that part of the country, in the light of all available reports, whether official or private. There are there 20,000 square miles (two-fifths of the entire area of England) of rich, finely watered pasture-land, over the whole of which there is an unfailing average rainfall of 62 inches, and the shipping port in the Gulf of Carpentaria, where refrigerating works and slaughter yards are now being erected, is several days nearer Europe than any other meat-shipping port in Australia.

As to freight, Australasia is no doubt at some disadvantage, especially with her chief competitor, Argentina. But that she is even now able to compete, in spite of this, is already proved by our present imports from her, while the statement is confidently made that she can raise mutton and beef at 1d. per

pound on the station, and land it in England at $2\frac{1}{4}$ d. per pound. It may be affirmed with certainty that under such conditions she can compete with success with any country in the world, and that the slight preference foreshadowed by Mr. Chamberlain would so set the balance in her favour that, with a wise modification of her present labour legislation, she could hold our home markets to any extent she pleased. "The disability of her geographical position," says Mr. Lance, "is more than counterbalanced by the cheap and extensive lands, and by the advantage of the absence of winter as understood in northern lands." All that has been said in regard to sheep- and cattle-rearing will apply equally well to dairy produce, fruit- and wine-growing, and, as by-products of the dairy industry, to poultry and eggs. We import, moreover, great quantities of dairy produce from Canada, as well as of fresh fruit. Reference to available statistics, reports, and various published works will give information in regard to these points, upon which it would, indeed, be interesting to dwell. But it is time now that I should get to the heart of my subject, namely, the effect of Imperial preference upon the cost of food in this country.

III

Here I must ask you to assume that the effect of the preferential treatment will be what is intended and expected, namely, that it will gradually increase our supplies from British possessions, and proportionately

diminish those obtained from foreign countries. It would be simple to show that that must inevitably be the case if the preference is effective, but the demonstration would lead me to exceed the reasonable limits of a lecture. The question we have now to discuss is whether that preference would, as is stated by the Free Importers, permanently raise the price of food ; and if we hold, as I do most strongly, that that result would not follow, we must show on what grounds our opinion is based.

In what position do we at present stand to the rest of the world in regard to our imported food supplies ? It cannot, I think, be contested that we have established for ourselves what is known in economics as a "partial buyers' monopoly." The producers of the world, in other words, are bound to come to us to dispose of the chief part of that surplus not required for the consumption of their own home consumers, and they will, in order to keep our market, dispose of that surplus to us at any price which will leave them a small all-round profit over cost of production. One reason for this, among others, is that in the case of agricultural and pastoral farming, as in well-nigh all cases of production, production on a large scale diminishes the cost, and a restriction of foreign markets must therefore raise prices, the effect of which, if the action goes far enough, would be, by a corresponding decrease of home consumption, to diminish still further the already lessened market. In fact, so powerfully does this cause act upon the producer, that there can, I think, be little doubt that

exporters would in the first place rather raise their prices to some extent in their home markets, or still more probably lower them in foreign markets, than see the volume of their exports diminished. We have already some striking examples of such methods of trading, notably in iron and steel and various manufactures thereof, and there is no reason to suppose that what takes place in one department of trade would not, from similar causes, take place in another under similar circumstances.

Another consideration in this connection is well put by Professor Seligman in his discussion of the effect of a tax upon agricultural products,¹ and the error of the Ricardian theory that the whole of the tax must be borne by the consumer.

The whole theory (says Professor Seligman) rests on the assumption that the landowner of the worst land in cultivation will abandon the land rather than cultivate it at a loss; and that the decrease of supply will raise prices to the consumer. . . . It is in actual life a very difficult matter for producers to decrease the supply of agricultural products. In order that any appreciable difference may be felt in the price, it would be necessary for whole tracts of the lands at the margin of cultivation to be abandoned. Now this practically means wholesale ruin for large classes who perhaps have invested large sums in improving the land. Rather than abandon the land, they will often prefer to continue cultivation at less than usual profits, for the no-rent land is simply that on which the cultivator gets just sufficient profits above the cost to enable him to

¹ *The Shifting and Incidence of Taxation*, p. 97.

live comfortably. . . . Only when the tax is so exorbitantly high as to swallow up the whole rent and the whole profits, so as absolutely not to leave the cultivator any margin for living expenses, will he abandon the land in such large quantities as to effect a material decrease of supply. . . . Secondly, and more important, the Ricardian theory assumes an absolutely isolated community.¹ But in actual life the market value of agricultural produce is fixed by the conditions of production in widely separated localities or countries. . . . If a tax precisely identical in character and amount were imposed by all countries on all farmers, then indeed the tax might be shifted to the consumer, given [the] absolute mobility of capital [just discussed]. But this is never the case. The Western farmer, the price of whose wheat is fixed in Liverpool by the conditions of production in countries thousands of miles distant, will not get a whit more for his products if his taxes are doubled. He, and he alone, must bear the burden of the tax.

It is true that Professor Seligman was here discussing the incidence of a land-tax. But the tendency of an import-tax imposed on the produce of one body of farmers, while that of another is left free entry, must be similar to that of a land-tax. To test the truth of this, you need only imagine that an import duty is imposed on the produce of one tract of land, while that of all other lands is allowed to come in free. Here arises one instance of the immense importance, in the consideration of our present subject, of the great competitive capacity of the British Empire,

¹ In our special case the absolute isolation apparently assumed by the opponents of Mr. Chamberlain is that of the Mother Country from every other part of the Empire, while communication with the rest of the world is left free.

upon which I have so strongly insisted. If the productive capacity of the Empire were small, and foreign farmers had practically no competition to fear, a preferential import duty would not have the tendency just indicated; but, as we have seen, the conditions are just the reverse of this.

What then would be the first effect of a preferential duty against foreign—by which I mean non-British—food-stuffs, British food-stuffs being still allowed to come in free? It is possible that the first effect of all would be a momentary rise of price: indeed, if the preferential duty were heavy, or, were it light, if the foreign producers did not properly understand the working of the world's markets, this would certainly be so. But in the case which we are considering, the first alternative may be ruled out, since the preference proposed by Mr. Chamberlain—2s. on corn and 5 per cent on meat and dairy produce—is light. We need, I think, have no hesitation whatever in ruling the second alternative out also; foreign producers and exporters are keen men of business, they know perfectly well the conditions of competition arrayed against them, and their first movement would be an attempt to counteract the preference, and render it of no effect. There would be one way, and one way only, for them to do this, and that would be so to reduce their own margin of profit and their own costs of freight, that their British competitors would be left, so far as price is concerned, in no better position than they are now: in other words, the import price in this country would not, so far as

regards the action of the preference, be allowed to rise by the slightest fraction.

Now this reasoning, which may appear to have been carried out on somewhat deductive lines, is said already to have been proved correct by what happened in the case of that poor martyred innocent, the shilling corn-duty, although the competition which foreign producers then had to meet was only the limited competition of growers within these islands. Instead of raising their price by a shilling, and thus giving the English farmers the advantage to that small extent, it is said that the American corn growers so arranged with the great American railway lines, that, together with some sacrifice on their part, their produce was delivered at American ports at a shilling less cost than before, and the preference to the English growers was annulled. It is certain that at that time there was a reduction of freights which may very well have been a response to the duty. However that may be, the line of reasoning which I have sketched out is quite in agreement with economic theory, as accepted by modern economists. It is, I think, generally admitted by even the most rigidly orthodox, that, as Professor J. Shield Nicholson puts it, "If the taxing country has been taking a large part of the foreign supply (a partial buyers' monopoly), the foreigner may be compelled to bear part of the tax to lessen his loss."¹ In our particular case this admission is all-important, because we abandon so slight a part of our "buyers'

¹ *Principles of Political Economy*, vol. iii. ch. xiii. § 5.

monopoly," in the first place by reason of the lightness of the preference, and in the second place, owing to the immense competitive productive capacity of the rival producers—namely, those within the British Empire—whose products will continue to enter our market free, that we practically abandon none of it at all. Thus, in order to continue to hold our market, the foreign producer will be forced to lower his prices—including, of course, charges for transport and others, as well as his actual selling price at the place of production—to the full extent of the preference, or in other words, to bear the entire weight of the tax, until at least all his margin of profit has disappeared. Even then, as already indicated, he may still, under stress of competition, lower his export prices to some extent, so that it is not inconceivable that the effect of a preferential system might actually be to lower prices instead of raising them. It may in any case, be concluded with certainty that, so long as the preferential duty did not exceed the margin of profit of the foreign producer as just defined, and in view of the great productive capacity of the British Empire, the people of this country would bear none of the tax, and the foreign producer would bear the whole of it. In other words, so far as the action of preference is concerned, the cost of food in this country would not rise in the slightest degree.

It is sometimes advanced that all this line of argument is purely delusive, because without any preference at all the causes tending to a lowering of prices would exist in just as full force, that prices

would therefore fall without it, and that to the whole extent of the preferential duty imposed—and that thus the English consumer would, as a matter of fact, bear the whole duty, or rather, after the usual method of reasoning, a good deal more than the whole duty. It is a little difficult to treat this reply with patience. It is in fact, by the very reason of the preference being imposed that our Imperial supplies will increase far more rapidly, and that, in order to keep his place in our market, the foreign producer will reduce his margin of profit. Leave that incentive unemployed and Imperial supplies will increase far more slowly, while the foreigner will keep his profit: it is really too much to ask us to believe that out of pure largeness of heart he will forego it in favour of the English consumer! A special cause produces a special result: it is the acme of futility to argue that the same special result will be produced without the cause. Indeed, where such a view is honestly held, and not merely expressed in the interests of a particular party, it must arise from an inability to grasp the question as a whole. It is the partial application of a Ricardian theory which was not true even when stated, and under modern conditions has become ridiculously false—a theory arising from the utterly erroneous assumption of an isolated community.¹

Thus fourteen eminent professors, in the month of August last,² banded themselves together to lay down, among others, the following two propositions:—

¹ See footnote, p. 162.

² *I.e.* August, 1903.

(a) The injury which the British consumer would receive from an import-tax on wheat might be slightly reduced in the possible, but, under existing circumstances, very improbable, event of a small portion of the burden being thrown permanently on the foreign producer.

(b) To the statement that a tax on food will raise the price of food, it is not a valid reply that this result may possibly in fact not follow. When we say that an import duty raises price, we mean, of course, unless its effect is overborne by other causes operating at the same time in the other direction. Or, in other words, we mean that in consequence of the import duty, the price is generally higher by the amount of the duty than it would have been if other things had remained the same.

If I may say so without disrespect, there is an amount of hedging concealed in this careful phraseology which does high honour to the genius of its composer. Laying aside, however, any attempt to expose in detail the several fallacies which it covers, I desire to point out that one main fallacy underlies the whole of both assertions, namely, the fallacy that we here are irremediably isolated from all other parts of the Empire, and that a tax on imported food implies a tax on *all* imported food. The professors made two vital omissions: (1) they omitted the fact that all British¹ food-products are to be imported free; (2) they omitted the fact that the productive capacity of the Empire in competition with foreign countries is immense. By these two omissions their weighty

¹ The difference between the professors and myself is aptly illustrated by the different meaning we attach to the word "British." Their Britain comprises only these islands, mine the whole Empire.

conclusions are altogether vitiated. It is implied in the first of the two assertions which I have quoted, either that the foreign producer already works on no profit at all and that the cost of freight has reached its irreducible *minimum*, or that there is no competitive productive power whatever within the British Empire. Whichever horn of the dilemma you choose, it is a *reductio ad absurdum*. Remove the absurd hypotheses and the argument immediately falls to pieces, as the history of the action of any foreign tariff upon our home manufactures would prove immediately.

The implication of the second assertion is that, if a preferential duty were imposed, "other things would remain the same." Admit the implication and we may at once admit the deduction. Surely it did not require such a weight of professorial authority to impress upon us an axiom so dismally platitudinous ! But, as a matter of fact, not one single condition of the theorem would remain the same. The profit of the foreign producer would not remain the same, as I have shown, nor the profit of the foreign carrier, nor the competitive production of the British Empire,—a further point to which I shall now immediately return. The fact is that the learned authors of the manifesto merely showed that they had not considered the problem as a whole ; they clung tenaciously to the assumption of a partially isolated community ; in short, they completely and utterly forgot the British Empire—an act of forgetfulness which is, I fancy, well-nigh unparalleled in history.

A second effect or result of imperial preference continuing, of course, the assumption that the preference would be effective, must, I repeat, be that the production of food supplies within the British Empire would be swiftly and vastly increased and developed. This is a proposition which, I apprehend, does not require much demonstration. It really amounts to no more than that human nature, forming no exception to the law of all nature, will follow the line of least resistance. Our demand for food-stuffs not decreasing—indeed, with the increase of our population, it would proportionately increase—they will be supplied to us from those portions of the earth where, under the stress of competition, their raisers and cultivators will keep for themselves the best profit. Those portions of the earth will be where, the cost of production and of freight to our market being approximately equal, the preference granted will take effect, or, in other words, the productive or potentially productive portions of the British Empire. The call for labour in such regions will be immense; action and reaction will come into play; and while our manufacturing districts will flourish greatly in response to the demand of the great agricultural districts supplying us, we may confidently expect some, at any rate, of our surplus labouring population to find its way to those British lands which would need it and welcome it. But there would be a secondary effect of no small importance. Following the same line of least resistance, cultivators of marginal lands in, at any rate, some foreign countries, seeing their

profits reduced to the bare means of subsistence, or even to disappearance, would in many cases give up the struggle in their own countries and turn to the easier conditions to be found in British colonies. Even without a preference on this side—although he would be a rash controversialist who would hazard the opinion that it has no connection with the preference on that—we see this result foreshadowed in the recent remarkable immigration of American farmers into Canadian territory. I am informed by reliable Canadian authorities that these new farmers are men of a well-to-do class, who bring with them a sufficiency of capital—men who have done well in their American ventures, and who, seeing more advantageous conditions in Canada, are now flocking thither to repeat their prosperous history. How the improved conditions which would obtain under a preferential system would enhance that movement is self-evident; it would be one more cause of rapid growth in the production of the British Empire.

The question then arises: Would this movement—the movement of foreign competitors to become competitors within our own borders—have any contrary, or raising action upon prices to consumers in this country, by the diminution of foreign competition? Certainly not for a long period of time. The actual world's supply would not decrease,² but increase by the bringing into cultivation of ever more vast regions of fertile, virgin, agricultural lands. In the face of such supplies—and it is essential to remember that the increase is an effect of which the

main cause is Preference—prices would tend to fall, certainly not to rise. Moreover, the removal of foreign competitors in the way just described would not take place all the world over; it would be long before it could seriously diminish the competitive action of all the productive countries in the world outside the British Empire. Ultimately it might be that, with the general growth of the world's population and the continuous growth of British production, the whole of our supplies would be obtainable from within our own territories only. In such a case Preference would have become a useless burden, and the liberated souls of the fourteen professors might reap a peaceful triumph. But the contingency is one so extremely remote as to be of no value whatever in considerations of State for an indefinite time to come.

I believed when I was requested to deliver a lecture on "Imperial Preference and the Cost of Food," that the meaning of those who did me the honour to prefer that request was that I should discuss what the action might be, if Mr. Chamberlain's proposals were carried into effect, of those proposals upon the prices of articles of food taxed, and I have therefore confined myself to that part of the subject. It must not, however, be forgotten that the imposition of import duties on certain articles of food of foreign production forms only one part of the scheme. It was completed by further proposals to remit a considerable proportion of the import duties now levied upon other articles of food—namely, "three-fourths of the duty on tea and half

of the whole duty on sugar, with a corresponding reduction on cocoa and coffee." Now upon these commodities the present scale of taxation is already high, and it will, I apprehend, be generally conceded that a high import duty on an article of competitive production is borne partly by the foreign producer, partly by the home consumer. In the same way when a reduction of that duty is granted, the benefit will be reaped in part by both,—in other words, to some extent prices to the consumer would fall. Mr. Chamberlain's scheme is then, in fact, an adjustment, or as he called it, an "alteration of taxation," and not merely a levying of new taxes. You will remember that, in the speech in which he laid his scheme before the country, he showed with his usual forceful lucidity that on the assumption that the consumers of this country bore the whole weight of the new taxes, the compensatory remissions would leave the cost of living to the agricultural labourer and the artisan unaffected. If that assumption be admitted, I cannot see any reason to disagree with Mr. Chamberlain's proposition. But I hope I have shown you, as indeed Mr. Chamberlain himself went on to argue, that the assumption is extravagant. I trust I have stated solid reasons for my conviction that low preferential duties would not raise the prices of articles now untaxed, but that their weight would fall on the foreign producer, while the remission of a portion of the present import duties on articles of food now taxed would cause the prices of those articles to fall. If that, as I believe, be true, then the effect of the

whole scheme would be to decrease the cost of the food of the people, and not, as Lord Goschen proclaimed, to "gamble" with it. It is true that certain unwary politicians denied that tea, sugar, and so forth were articles of food. It would be interesting to know what, then, they considered them to be. However, in view of certain criticisms of the recent increase of the tea-duty, we may take it, I think, that they are reconsidering their position.

I have also thought it more in consonance with my subject to confine myself to the economic side of the question—to the probable course which food-prices would follow under the Imperial policy sketched out—while touching as little as possible upon the policy itself. But I hope you will not think me guilty of the error to which I alluded at the commencement of my discourse. I was almost under the necessity of avoiding political allusion, for, however wise, however excellent, however far-seeing in its statemanship an Imperial policy may be, it could scarcely find place in a discussion of the prices of food except in its bearing—as in the matter of the increased production upon which I have insisted—on that special subject. Nevertheless, it is of course the policy itself which is of paramount importance. It is through Imperial Preference—and by the conditions of the problem a preference to the Colonies and Dependencies must entail the taxation of foreign food-supplies—that the common interests of the Empire may be most effectively drawn closer, and the immense potential forces of the Empire be adequately organised. I am

one of those who believe that through Imperial Preference we shall reach Imperial Free Trade and Imperial Federation. There are, I believe, few in this room who would disagree that such an end is worthy of sacrifice—of considerable sacrifice. I contend, however, that that is a risk which we should not, under the proposed scheme, run, but that, under it, Imperial prosperity would be fostered by the development of the Empire, without a fresh charge being laid upon the inhabitants of any part of it.

IV

THE EVOLUTION OF EMPIRE

By the HON. SIR JOHN A. COCKBURN, K.C.M.G.

THERE is no department of knowledge or activity which has not received a flood of light and fresh stimulus from the researches which in recent years have been made into the laws of evolution; and surely there is within the whole range of human inquiry no subject which better deserves investigation under this new light than the growth and development of the vast Empire in which we live and move and have our being.

A rich mine of thought here awaits exploration, but this afternoon it will not be possible to do more than glance at the outcrop which appears on the surface. Even a superficial examination will, however, yield an abundant reward of explanation and suggestion. Phases of history and actions of successive schools of statesmen which have previously been regarded as fortuitous or contradictory will, when viewed from the standpoint of evolution, be found to fall into line as necessary links in a continuous chain of causation. Order and arrangement will emerge

176 The Evolution of Empire

from apparent confusion. Just as when passing a well-cultivated field of springing wheat the plants appear at first sight to be broadcast and at random, but when our point of view comes into a position parallel with the drills the whole plan of the field is at once revealed; or as in threading a labyrinth the track may be devious and the direction variable, but if we are in possession of the clue we know that at each step the goal grows more accessible.

The laws which govern the process of evolution, although long surmised, were for the first time scientifically formulated by Charles Darwin and his coadjutors. Briefly, two influences are always at work—variation and integration: the first makes for difference, the second for agreement; one tends towards separation, the other towards union; but these forces are complementary rather than antagonistic, and in the reconciliation of their simultaneous or successive operation lies the explanation of the whole mystery of evolution, just as on the balance between the centrifugal and centripetal forces the equilibrium of the Universe depends. The philosophers of Ancient Greece made many good guesses at the truth. Hera-kleitos, 500 B.C., wrote: "Opposition unites; from what draws apart results the most beautiful harmony—all things take place by strife." Empedokles spoke of creation as the product of love and strife, "from these come all things that are or have been or shall be." Plato, referring to this statement, says "Being is many and one, and is controlled by hate and love; borne apart it is always borne together." This con-

certed antagonism underlies all phenomena and seems to be a manifestation of the polarity which pervades creation.

The path in evolution is consistently from simple to complex, or as biologists say, from homogeneous to heterogeneous, and the universal sequence is from uniformity through difference up to reunion of the diversified elements. Perhaps this may best be illustrated by the evolution of music. Let us suppose that those assembled in this hall were to sing "God save the King," only one course would be open : we should have to sing in *unison*—that is, all would endeavour, as far as possible, to sing the same note. At best the performance would be monotonous in its uniformity ; it would be a somewhat rudimentary form of music. There would be little scope for the respective aptitudes of individual voices in compass and flexibility. By and by, however, if we practised sufficiently, there would be a departure from this uniformity. The mass would break up into several parts ; groups would be formed of sopranos, altos, tenors, and basses, who would no longer sing the same note, but that which is appropriate to each clef ; for a time, undoubtedly, discords would abound, but as skill increased these would be subdued and resolved until all the parts were ultimately blended into harmony. The stage of difference would thus be succeeded by that of agreement ; but the reunion, just in so far as it was more rich, varied, and complex than the uniformity from which the movement originated, would be on a far higher plane of performance.

178 The Evolution of Empire

In biology the process of evolution is similar. Every living being commences its existence as a simple homogeneous cell; from this, by repeated subdivision and by partial separation of the resulting segments, are formed the tissues, organs, and limbs of the fully-developed individual. The exigencies of the struggle for existence demand that all parts of the organism must learn to co-operate with the utmost exactitude, and the rule is that the greater the diversity of the organs and the more marked the specialisation of the limbs the greater the degree of co-ordination necessary for effective use. If we pass on to the evolution of social organisms we find that the process is still the same; indeed, because of their similarity Auguste Comte held that the study of sociology should always be preceded by that of the simpler but analogous problems of biology. In primitive communities there is little diversity of occupation. Every man is a jack-of-all-trades, with a comparatively low level of achievement in each; but as civilisation advances a subdivision of labour takes place, which, provided there is an adequate degree of co-operation between the various branches of activity, leads to a vast increase of efficiency. The process of partial separation and subsequent reunion is amplified as communities develop into nations, and will still continue to hold good in the attainment of the most stupendous social organisation that the world has ever witnessed—a Federated British Empire, of which nations will form the component parts. So that, whether in the evolution of

individuals or societies, a certain degree of difference and separation is necessary before any highly organised results can be obtained; and the word harmony, originating in the art of music, has been extended to all successful co-ordinations of diversified elements.

Although in the chronology of social development a hundred years may be as one day, still even the history of our own times gives evidence of the action of successive stages in the evolution of the Empire. Sixty years ago the Colonies were governed from Downing Street under the method now known as the old Colonial System. There is no doubt but the Government was that of wise and good men animated by the best possible intentions; but the wisdom of the wise in attempting to administer details at a distance of thousands of miles cannot be brought into efficient action; it is better to trust to sturdy British common-sense on the spot. The uniformity of the system fettered that innate genius for managing their own affairs under the ever-varying conditions of time, place, and circumstance which is above all the distinguishing characteristic of Anglo-Saxons, and marks them out for world-wide empire. The old Colonial System was evidently doomed to failure. A demand for autonomy arose and indicated the advent of an age of variation. The statesmen of the day, ignorant of the process of evolution, thought that the only solution lay in complete separation of the Colonies, and diligently set to work to bring this about. They appear to have been under the domination of Turgot's phrase, that colonies are like fruits,

180 The Evolution of Empire

which cling to the tree only till they ripen. They could not distinguish between the partial separation necessary for the development of a higher organism and the complete separation which is the only resource of the lowly-organised *protozoon* or unicellular organism when it grows apace.

The Duke of Wellington in 1840 expressed the emphatic opinion that local responsible government and the sovereignty of Great Britain were incompatible. On the other hand, some statesmen who had the benefit of colonial experience were gifted with greater insight. Lord Durham, in his report on Canada, utters the following protest against the current view :—

The experiment of keeping colonies and governing them well ought at least to have a trial ere we abandon for ever the vast dominion, which might supply the wants of our surplus population, and raise up millions of fresh consumers of our manufactures, and producers of a supply for our wants.

Lord Elgin, when Governor-General of Canada, in a letter to Lord Grey, dated 23rd March 1850, thus alluded to a speech of Lord John Russell in the House of Commons :—

On this solemn occasion the Prime Minister of England, amid the plaudits of a full Senate, declared that he looked forward to the day when the ties which he was endeavouring to render so easy and mutually advantageous would be severed. . . . But wherefore, then, this anticipation? . . . Because Lord John and the people of England persist in assuming that the colonial relation is incompatible with

maturity and full development. And is this really so incontestable a truth that it is a duty not only to hold but to proclaim it? . . . You must renounce the habit of telling the colonies that the colonial is a provisional existence. You must allow them to believe that, without severing the bonds which unite them to Great Britain, they may attain the degree of perfection, and of social and political development, to which organised communities of free men have the right to aspire.

And with an appreciation of the position which to-day is as just as at the time it was written, Lord Elgin thus continues—

Is not the question at issue a most momentous one? Is the Queen of England to be the sovereign of an Empire, growing, expanding, strengthening itself from age to age, striking its roots deep into fresh earth, and drawing new supplies of vitality from fresh soils? Or is she to be for all essential purposes of might and power monarch of Great Britain and Ireland merely—her place and that of her line in the world's history determined by the productiveness of 12,000 square miles of a coal formation which is being rapidly exhausted, and the duration of the social and political organisation over which she presides dependent on the annual expatriation, with a view to its eventual alienation, of the surplus swarms of her born subjects?

The attitude of the Colonial Office on this momentous question may fairly be gathered from the views of Sir Henry Taylor—views which, during his long connection with the department, doubtless derived their colour from some of his official chiefs. In a letter to the Duke of Newcastle, in 1864, he says—

182 The Evolution of Empire

As to our American possessions, I have long held and often expressed the opinion that they are a sort of *damnosa hæreditas*; and when your Grace and the Prince of Wales were employing yourselves so successfully in conciliating the colonists, I thought that you were drawing closer ties which might better be slackened if there were any chance of their slipping away altogether. I think that a policy which has regard to a not very far-off future should prepare facilities and propensities for separation. In my opinion, the worst consequence of the late dispute with the United States has been that of involving this country and its North American provinces in closer relations and a common cause. I should desire to throw the current military expenditure upon the colonists, as tending, by connecting self-protection with self-government to detach the colonies and promote their independence, and segregation at an earlier day, and thereby to withdraw this country in time from great contingent dangers.

We can now clearly see in the light of the laws of evolution how the means employed by those who decided to pave the way for separation were, under the guidance of the "Divinity that shapes our ends, rough-hew them how we will," in reality adapted to lead in precisely the opposite direction. Instead of hastening, as they imagined, the dissolution of the Colonial Empire they were, all unconsciously, providing the conditions necessary for the development of Greater Britain. Without the freedom of movement due to partial detachment the colonies would always have been in leading strings, and would have remained mere dependencies. They could not have gained the self-reliance, initiative, and individuality

essential to the full stature of nationhood. Nor would the threshold of the unparalleled and unbounded prospect which lies before the united nations of the Empire ever have been reached—the parent in partnership with adult virile sons in every quarter of the globe, under every variety of climate and calling, a veritable brotherhood of manifold diversity, harmoniously co-operating for the common welfare and advancement of the race.

In a highly-developed organism it may therefore be said that the members undergo a partial separation in order that they may become more intimately and to better purpose united; for example, the hand and arm would never be able to minister so effectually to the requirements of the human body if they were not separated sufficiently to enjoy the utmost freedom of movement. Nothing can be more significant of the altered view of the present age than the fact that the creation of a common cause between the mother country and the colonies, which was the dread of the official mind forty years ago, should to-day, as manifested in the comradeship of arms in South Africa, be the source of mutual pride and general rejoicing. The Malthusian shrinking of the Mother of Nations from the responsibilities of offspring is now also happily a bugbear of the past.

Nature is rythmical in her operation: everywhere there is systole and diastole. Ages of variation and integration normally succeed one another. The direction is from time to time reversed, but not, as is commonly said, like the swing of a pendulum;

184 The Evolution of Empire

the return is not to the starting point; progress is as on a spiral; the analogous position which is regained is ever on a higher plane. We have seen that primitive communities are homogenous. In the early struggles for existence cohesion is the prime necessity, those social organisms alone survive in which uniformity is prescribed by all possible means. Departure from custom is at this stage regarded as a capital offence. Authority is undivided. Even up to a late period of Roman history the functions of Cæsar and Pontifex Maximus were united in the same individual. Doubtless this urgency of solidarity accounts for the prevalence during the historic age of nations adopting patriarchal institutions. The idea of unity becomes so engrained in the character that there is danger of rendering variation and consequent improvement permanently impossible, and a condition of arrested development may ensue. In communities destined to progress, the law, however, is a tutor rather than a tyrant, and when the lesson of solidarity has been sufficiently learnt the gospel of liberty begins to dawn. Variations creep in; these are inexorably weeded by selection, but those which prove to be useful take root and flourish. The desire for change grows apace. Innovation becomes the order of the day. The patient constructive toil of countless ages may be demolished in an hour. The laurels of the builder are surpassed by those of the destroyer. "The aspiring youth who fired the Ephesian dome outlives in fame the pious fool who raised it." Regulation

The Evolution of Empire 185

and restriction are cast aside and *laissez faire* runs riot. The community whose progress at an earlier stage was hindered by a rigid uniformity is now in imminent danger of falling a victim to unrestrained license; dissolution must ensue unless an integrating influence, sufficient to co-ordinate the factors essential to corporate existence, asserts itself, and, as was previously mentioned, the greater the diversity the stronger must be the integrating power. Every nation passes through more or less marked epochs of this description, and those that are most virile and robust in constitution may be expected to exhibit the crisis in a specially sthenic form.

We are now witnessing such a transition from an age of variation to an age of integration, but that does not imply that the results of the preceding period of separation will be wasted. In biology such variations as tend towards greater efficiency become as it were standardised and incorporated in the organism. So the individuality and spirit of freedom engendered during the period of difference, far from being surrendered, will prove an indispensable element in the coming Imperial partnership.

Everywhere the synthetic tendency which marks the advent of an age of construction is becoming more and more manifest. Capital has its trusts and cartels; labour has its combinations. Co-operation rather than competition is now regarded as the soul of business. In the sphere of private enterprise transactions previously undertaken by individuals now fall within the province of joint-stock companies. Under

186 The Evolution of Empire

the name of municipalisation in the United Kingdom and of State activity in the Colonies, citizens are banding themselves together for the performance of all manner of public services. Federations have been formed in Canada and Australia. The Colonies are drawing closer to one another and to the mother country. The crown of the integrating movement will be the final departure from *laissez faire* in trade and the formulation of a scheme for intra-Imperial reciprocity. The line of march has been completely altered, and is now away from disintegration towards reconstruction. When a regimental company receives the command "change ranks" everyone goes to the right about, and those formerly in the van find themselves in the rear. The rebound consequent on reversal of direction has led to a similar change in the position of political parties. The adherents of the Manchester school, formerly the party in advance, still cling to the bygone traditions of *laissez faire* in trade, and are lagging in the rear, while the conservatives of the preceding age who resisted the disintegrating tendency of *laissez faire* now lead the way; not because they were right in resisting the demands of the preceding age, but because their proclivities towards organisation and solidarity are appropriate to present requirements. So now we have the anomalous position of a reform advocated by those who previously were opposed to change, while the party which a generation ago was all eager for reform is now fighting for the maintenance of an effete tradition. Forecasts are hazardous, but it is quite possible that history may

repeat itself, and the party opposed to tariff reform, when it comes into office, may find it necessary to appropriate the garments of its predecessors.

The changed attitude of political parties has long been perceptible in the Colonies, where the upholders of the *laissez faire* regime are for the most part avowed Conservatives, and where as a rule Liberals are Protectionists. Even those who aim at Free Trade, which is, of course, the ultimate ideal, are going the wrong way to obtain it. In Australia the pathway to inter-state Free Trade lay through the territory of Protection. Many years ago Victoria adopted a protective tariff, and it was only after other Australian Colonies had followed her example that Free Trade became practicable. When the custom-houses were erected on both sides of the border the cry for their abolition arose. Victoria, which had been the pioneer in Protection, then became a pronounced advocate of Australian Free Trade, and it was possible, as in an algebraical equation, to cancel that which was common to both sides. Similarly, when a British tariff is erected the advantage which our protected neighbours have over us will be correspondingly diminished. Customs duties will no longer have the same charm for them as they have at present, and then, and not till then, will there be a chance for the adoption of Free Trade.

In evolution it is a rule that the larger the mass the more varied and complex must be the organisation necessary for effective existence. Great Britain

188 The Evolution of Empire

covers an area and embraces a population never previously equalled by any Empire under the sun, and an organisation adequate to these conditions is essential for its survival; for without proportionate organisation expansion merely involves increase of vulnerability. The problem with which the British race is at present confronted is how to integrate the Empire by bringing the diversified elements into organic union so as to present a united front to the world, and to compete on equal terms with highly organised rivals without destroying the spontaneity, freedom of movement, and power of adaptation which built the Empire. For these are the qualities which provide the conditions for further progress. The harmonious evolution of the Empire will then appear as an orderly sequence from the uniformity of the old Colonial system, through the diversity engendered by what has been well called the "beneficent neglect" and apathy of fifty years ago, up to the co-ordination of individual but component nations in an effective Imperial organisation.

The solution of the problem lies in Federation; for this form of government best furnishes the conditions for the free and simultaneous action of the forces of integration and variation. In a Federation the utmost latitude is permitted in local affairs, but at the same time provision is made for the joint action essential to corporate efficiency. The plan of a Federal structure is co-ordination not subordination, and the keynote is not uniformity but union.

A federal form of Government occupies a position

mid-way between separation and unification : it is equally remote from centralisation and from parochialism. A citizen of a Federation may be zealous for autonomy, and at the same time patriotic in matters imperial. Local liberty is reconciled to Imperial solidarity, and flexibility is combined with firmness. The conformation of the British Empire renders it peculiarly adapted to Federation. The ocean defines the boundaries of the component parts, and also serves as the connective tissue which unites them. The bearing of the ocean as affecting the propinquity of territory has, through the instrumentality of steam and electricity, undergone a complete change in modern times. Formerly the sea was the symbol of separation, now it often provides the most convenient means of communication. This revolution of function has coincided with distinct phases of imperial evolution. When separation was essential to the development of autonomy the ocean provided the necessary seclusion for this process ; when in the fulness of time the need of integration arose, the seven seas provided the web of connection. The influence of the ocean in the destinies of the British Empire is paramount, and this has been expressed in a striking manner by M. Leroy Beaulieu, who, in his book on the new Anglo-Saxon societies, makes pregnant observations to the following effect :—

The British Empire is the most vast that has ever existed ; its area is three times that of Europe, and covers more than one-fifth of the dry land of the globe, leaving far behind the enormous territories occupied by Russia,

190 The Evolution of Empire

China, the United States, and Brazil. Its population is probably somewhat under that of the Celestial Empire, but includes not less than a quarter of the human race. No doubt the countries subject to the British sceptre are dispersed in every quarter of the world, instead of forming compact masses like the countries mentioned above, or the great empires of antiquity. But this lack of cohesion is more apparent than real. The means of communication have become so rapid in our day that less than a month suffices to travel from one point to another of the British Empire, however distant. Longer was assuredly needed to traverse the Empire of Rome eighteen centuries ago, and still longer is necessary to pass to-day from one extremity of the Russian Empire to the other. Does anyone aver that the necessity of crossing the sea to traverse the British possessions is a source of weakness to this immense dominion? But is not the very ocean Britannic according to every good Briton when he justifies the maintenance of the strength of the British fleet? Far from separating them the ocean is the tie which unites the scattered members. Great Britain is, in a sense, at home upon the highways of the deep which lead to her dependencies. She could prevent other States from communicating with their own, or, at least, could throw a thousand difficulties in their way. It is this which is the essential characteristic of the British Colonial Empire. Its metropolis is mistress of the seas; the communication between its several parts is as assured under all circumstances as if they formed a continuous territory.

In shaping the imperial policy this crowning thought needs to be kept constantly in view. When Britain ceases to be mistress of the sea the British Empire *ipso facto* becomes an impossibility.

The necessity of preserving the sea-going tradition and instincts of the race is clearly imperative. A supreme navy can only exist as the fine flower of a great maritime nation. It is the mercantile marine which provides the sap for the service. The British mercantile marine under the malign influence of *laissez faire* is rapidly becoming denationalised. Within the last fifty years the proportion of foreigners and men of coloured races to the British in our merchant service has risen from nine to forty-five per cent, and so rapid is this alien increase that before long our own countrymen may be in a minority. Already, philanthropic work among our sailors partakes of the nature of a foreign mission. Even the devotees of *laissez faire* recognise the peril of the position, and are preparing to relax some of the rigour of their dogma. It is becoming generally admitted that if we are to compete with our rivals as carriers, and at the same time maintain our maritime supremacy, additional assistance to the great ocean lines of steamships must be given. This, it has been well pointed out, might take the form of subsidies, bounties, or loans at low interest, subject to conditions of speed, tonnage, accommodation, and employment of British subjects. A colonial merchant recently stated that the only way to get cheap rates in certain classes of goods to Australia was to ship them from Hamburg. A few years ago the Australian Governments requested that a call for new mail tenders should be restricted to steamers under the

192 The Evolution of Empire

British flag, but this was refused as contrary to accepted traditions. Such elements of indifference might be in keeping with an age of *laissez faire*, but are altogether inconsistent with the synthetic movement now taking place. Indeed in passing from an age of disintegration into an age of construction, the significance of actions may be entirely changed; as in algebra an alteration of the sign before a bracket reverses the signs of all its contents. The fact that actions which tended towards separation were good when in accordance with the spirit of the age, makes them all the more baneful and injurious now that the movement is in the contrary direction.

The cosmopolitans of a previous age who thought that the relaxation of national boundaries which they advocated would speedily bring about general peace and universal brotherhood were premature in their forecast. The evolutionary process knows no such sudden consummation.

From lower to the higher next,
Not to the top, is Nature's text.

At some far distant epoch doubtless the dream of these amiable and well intentioned enthusiasts will be realised, but that does not alter the fact that to-day they are the worse possible guides and are adopting the very means to defeat their own object. For premature attempts at solidarity are Babels which cause confusion and increased animosity. It is true that the units of government have been enlarged, nations have expanded into empires, but although a

few division fences have been removed, the ring fences round the great powers of the world are as strong as ever. The struggle for existence between communities will still continue although the size of the competing units has been enlarged, and owing to modern commercial methods the rivalry is ever becoming more unremitting and relentless.

The factors in this struggle must be co-operation within the national pale, and competition with the outside world. The keener the outside competition the greater the urgency for concerted action between the component parts of each organism. Those races with the greatest vitality and with most capacity for variation, but with sufficient cohesion to co-ordinate the diversified elements, are destined to emerge triumphant from the contest. The motto of the Empire must be—"United we stand, divided we fall."

Unless the sister nations of the Empire learn to co-ordinate all the elements, commercial as well as military, that make for corporate efficiency, the great social fabric which is our pride and the wonder of the world must succumb to more highly organised powers. There can be no doubt that the Empire is rapidly making up its mind on this subject, and it is to be hoped that joint action will follow in time to avert the otherwise inevitable catastrophe.

Looking back on our past history we see that at every stage when a particular movement was necessary the requisite step was duly taken. Such action was often diametrically opposed to the teaching of the orthodox philosophers of the period. But nature

194 The Evolution of Empire

does not always intrust her secrets to the wise and prudent. For the most part evolution is an unconscious process, but within the past few years there are abundant indications that the British Empire has risen to the height of self-conscious existence. Opinions as to the necessity of Imperial cohesion and the methods by which it is to be effected have long been in the air, and many men have done good service in attempting to render these views operative, but the statesman whose name will go down to history as the individual who collected all the scattered rays and converged them into an illuminating and effective focus, is our distinguished compatriot Mr. Joseph Chamberlain. His proposals for Preferential Trade give point to all the forces that make for union. His aim is not to rear an Empire of crushing uniformity like the Empires of the past, but to bring the Britains beyond the seas into harmonious union with the Mother Country, and to increase their interdependence without interfering with their justly prized autonomy. In short, to create an Empire whose service is perfect freedom. The opportunity which now presents itself, if lost, may never recur. The desire for closer union is widespread and spontaneous, and advantage should be taken of it to strengthen in every direction the ties of mutual interest. This is the soil in which sentiment permanently flourishes, otherwise it is an exotic which a frost may kill.

A splendid demonstration of the strength of the ties of relationship was afforded to the world when

The Evolution of Empire 195

British contingents converged from every quarter of the globe to fight in South Africa for a common cause. The phrase which has ever since been familiar in the toast of the "Imperial Forces" was coined to celebrate that event. The synthetic movement thus originated must be perpetuated and reinforced. Otherwise the blood then shed was indeed poured out in vain, and the priceless lives sacrificed were indeed thrown away.

The grave's real chill is feeling life was wasted.

But the evolutionary force which animates the British race will not permit any backsliding from its high Imperial destiny. The recent relationship in arms can readily be translated into partnership in trade, and the kindred British nations are about to join hands as comrades in the industrial and commercial activities necessary to preserve and enhance our former pre-eminence.

V

THE PROPER DISTRIBUTION OF THE POPULATION OF THE EMPIRE

By H. A. GWYNNE

I HAVE purposely chosen the title of my paper in preference to that of "Emigration," because it implies definite effort towards a definite object. Mr. Garvin has so ably argued the case for national initiative against the policy of drift, that it is quite unnecessary for me to exercise any superfluous energy in that direction. On the assumption that henceforth the Empire, and especially Great Britain, must abandon the system of *laissez faire*, the question of the distribution of our population comes within the sphere of practical politics. The mistakes that have been made, and the opportunities that have been lost, will require considerable care and strenuous endeavour to make good. Up to the present we have been suffering from a malady which I should call "square-milo-mania." It has taken hold of the public imagination, and remains to-day a distinct obstacle in the way of the proper realisation of the need for emigration. I should like to catch the man who

Proper Distribution of Population 197

said that the "sun never sets upon the British Empire." Like the man who reported Moltke's words that "he knew of fifty ways of getting into England but not one of getting out again," he has given the nation, with his gift of a popular catch-phrase, a totally erroneous idea, and done a great deal of harm. The method of measuring the Empire by its mere extent has diverted public attention from the great need of the Empire, and has resulted in placing a distinct obstacle in the way of successful empire-building which must, from the very nature of things, rest upon the solid basis of population. We are apt as a nation to remember that South Africa is over 600,000 square miles in extent, and to forget that there are but a little over a million white people living in it. We talk magnificently of Canada's three million odd square miles, but refrain from mentioning that there are but a little over 5,000,000 inhabitants. There are nearly 3,000,000 square miles in Australia, and only 3,700,000 whites living there. So little attention has been paid to population that I am perfectly certain that "the man in the street," if asked, would overestimate the white British population of the Empire by at least ten millions. I have frequently found the difference to be as much as twenty millions.

As long as this misconception exists among the people, so long shall we have a certain amount of indifference on the subject of emigration. The "square mile" fiend has mesmerised the great majority of us, and the result is that the need for a

198 Proper Distribution of the

scientific control of the emigration stream has never been properly realised. The moment a man leaves the shores of Great Britain, nobody seems to care whether he becomes an Imperial asset or a member of a nation commercially, if not politically, hostile. There has been displayed in this matter a negligence of ordinary precaution which could best be described as the essence of "drift." Imagine the attitude of a people, having such a magnificent field for settlement and employment under its own flag, which allows its own government emigration agents to advertise rivals. Yet among the list of publications issued by the Government you will see gravely set forth the fact that the "United States Circular" may be obtained free, and the "Pamphlet on the Argentine Republic" can be had for twopence. Surely there has never been a more glaring instance of what doctors call "functional derangement."

Without laying further stress on that feeling of smug satisfaction with the extent of our Colonies and possessions which plays, in our attitude of indifference towards emigration, a greater part than is generally thought, we must face the fact that until we devise some scheme for a more ample distribution of our white population, we shall fail to secure the chief elements of Imperial stability. There are great difficulties in the way, but they are not so great as to be in any way insuperable. Indeed, I would go further and say that the time is now opportune for a vigorous advocacy of State recognition of present effort, and of State action in the future.

The promulgation of Mr. Chamberlain's fiscal proposals has produced one magnificent result. For the first time, almost, in the history of Great Britain, a great Imperial issue has been placed before the people. The parish pump questions of "broiled live lobsters," "the case of Private Jones," or "the great right-of-way question of Slocum-cum-Pogis," will, perhaps in the future, receive exactly the attention they deserve. We must not forget this, for, thanks to the nature of the great issue which has been raised, there cannot be a reversion to the parochialism which has, up to the present, limited the vision of the people of England and circumscribed the scope of the work of Parliament. This is really the psychological moment for pressing on all the subsidiary aspects of the big Imperial question. We have to face, in our advocacy of Tariff Reform, the exaggerations of our opponents, and more especially their strong appeals to the working classes on the subject of increased cost of living.

The intensity of the struggle for life among the working classes is such that a policy which admits even a remote possibility of an increase in expenses will be certain of bitter opposition. The advocates of inertia have already secured the support of most of the labour organisations. In order to win we must have the people on our side, and secure the confidence of the working man. Had it been possible to link Tariff Reform with old age pensions, and tender them together to the consideration of the electors,

200 Proper Distribution of the

we should have found that the spirit of Imperialism, coupled with a distinct and palpable material advantage, would have carried the day. There were insuperable obstacles to this, but there appear to be no great difficulties in the way of substituting a properly organised scheme of emigration for old age pensions.

THE IMPERIAL NEED

The necessity for a control over the process of emigration and immigration is obvious, though at present only acknowledged as a cure for home distress. But there is an Imperial aspect of the question, which it behoves us — federators all — to take into consideration. Displacement of population follows upon lines of supply and demand, and is obedient to the primitive instinct of man to try to better his position. There is no reason why these laws and instincts should not be utilised for the present and future benefit of the Empire. The lack of population is the dominant defect in every one of our Colonies. The need for emigrants has been recognised by every colonial statesman for the last thirty years. The vulnerability of the Empire is in exact proportion to its lack of population. The marvellous success of the United States is due just as much to the fact that the stream of emigration flowed there as it is to its great natural resources. It seems, therefore, superfluous to insist upon the necessity for an increase in population throughout the whole of our Colonies. We may accept, with

the same confidence with which we receive an axiom of Euclid, the undoubted fact that the fabric of Empire will be nothing but an airy, if beautiful, superstructure unless it is based on population. We have but to listen to the piteous appeal of the Colonies for men, women, and children to feel convinced of this, and I would therefore ask you to take it for granted that there is an undoubted need for an increase of population in our Colonies.

THE HOME NEED

Allowing that immigration is the predominant need of our Colonies, I am almost inclined to say that for Great Britain emigration is the panacea for all evils, were it not for the fact that the statement would be somewhat exaggerated. Social reformers are, like all good enthusiasts, inclined to run too much to extremes.

Pauperism at home and the rarity of it in the Colonies are apt to induce faulty conclusions. Those who recognise the need for population in the Colonies, and are brought face to face with the terrible overcrowding at home, are liable to imagine that the lack and plenty can be made to balance each other by the stroke of the pen. There must be many processes before we can reach that stage, and we must proceed very carefully in order not to produce greater evils than those we desire to remedy. While admitting that a proper system of regulating the Empire's population will result in considerable Im-

202 Proper Distribution of the

perial advantage, and in a solution of the majority of our social problems, we cannot come to a definite conclusion before making a close inquiry into conditions obtaining in the United Kingdom, which must be the source of population to meet colonial needs, as it is the home of distress.

Beginning with the lowest stratum in our social economy, we find that there are three types of people in utter want. I would class them thus:—

- (a) The unfortunate.
- (b) The partially employed.
- (c) The idler and drunkard.

To give statistics as to the total number of these classes is almost impossible. I have made every endeavour to obtain even an approximate total, but experts differ. The tables of pauperism do not include them. The “unemployed” statistics are unreliable, because a man partially employed is very often counted half-a-dozen times in the year. Sir Henry Campbell-Bannerman gives a total of 12,000,000, but I do not think we should be right to accept his figures. I have therefore determined not to attempt to give any figures whatever, but to base all calculations on a hundred destitute, giving a percentage of each class. The total numbers then can easily be obtained by those who can succeed in getting correct statistics, by the simple process of multiplication.

I think I am not wrong in computing the unfortunate class at 15 per cent. By the word “unfortunate” I mean those who, through no fault

of their own, have become destitute. There are various reasons given for their misfortune: loss of savings, illness, extravagance of wife or children, quarrels with employers, removal of employers, extinction of certain trades altogether, owing to foreign competition, and, curiously enough, in a fair amount of cases, quarrels with other members of the family. Now this class is distinctly a good class, willing and anxious to work, and far too proud to beg. To them emigration appears the one great remedy for the evils under which they suffer, and allowing for a small percentage of "misfits," the whole of this class, 15 per cent of the submerged, could emigrate with advantage to themselves without creating a dangerous displacement at home, and with benefit to the colony which would receive them.

The second class of destitute—the partially employed—is the most formidable of the three. They are recruits for the third class of idlers and drunkards. They number about 50 per cent of the whole. I have no hesitation in saying that partial employment is as great a curse to its country as drunkenness and all the great vices put together. A man who works now and again loses his steadiness and gradually acquires a distaste for work, which turns him into a tramp. Once the nomad instinct, which is inherent in every man, gets scope and encouragement, the case is almost hopeless. It is a most curious and fascinating study, that of the gradual development of nomadism—a clear reversion to primitive instincts. This is confirmed by every

204 Proper Distribution of the

one who has studied the difficulties of the destitute. Lieut.-Colonel Laurie, of the Salvation Army, chief secretary of the City Colonies, speaking from intimate knowledge, states most emphatically that partial employment invariably weakens a man's moral nature. At first his anxiety is to secure as many days' work per week as possible, but when he finds, try as he will, that two days only are practicable, then he settles down to do the best he can with those two days, and to make ends meet with the wages obtained. Henceforth, by a gradual process, the man's whole nature changes, until he who once was anxious to secure as much work as possible, now no longer sees the dignity of labour, and endeavours to do as little work as possible, degenerating by degrees until he eventually becomes a loafer.

Colonel Laurie firmly believes that partial employment is the principal agency in the formation of the "moocher" class. He says:—

Then again, the man who only gets partial employment, and consequently is poorly paid and poorly fed, is tempted to supplement his income by dishonest means, and thus becomes a criminal, not so much from choice as from necessity. Under the circumstances, a man can almost be forgiven for developing the idea that to steal when one is hungry is not a sin.

As Colonel Laurie says, this class is not in the beginning either evil or indolent, but inevitably becomes so under the erratic conditions of his life. Gradually he loses all taste for work, and unless he

quickly obtains work, becomes a vagabond. To him again emigration must be a remedy for all his evils. But before he can become a fit citizen either of Great Britain or of a colony, he must be induced to work, and to work regularly. To accomplish this is, and will continue to be, the task of the social reformer; but we can strengthen his hands by giving him the opportunity of holding out a reward for sincere effort in the shape of a good start abroad.

If Tariff Reform and Preference within the Empire are going to reduce the numbers of the "partially employed," then it will effect a glorious social reform in Great Britain. At the same time, it seems to me that we must make a fair allowance for abnormal expansions and contractions in trade, and we must be very careful not to disturb the home labour market too abruptly. When the differences between these abnormal expansions and contractions are very great, there must of necessity be a sort of floating labour without permanent attachments. I confess to my inability to think of any remedy for what appears to be a necessary evil, which this floating labour undoubtedly is. All I can say is, that I do not see how emigration is to cure it altogether, and it is in this connection more especially that I would utter a word of warning against the adoption of emigration as the "universal cure," though I think that 5 per cent at least could be sent to the Colonies with benefit to all concerned.

The third class—the idler and the drunkard—is in some respects merely the more developed effect of

206 Proper Distribution of the

partial employment—at least the idler is. What to do with him is a question which philanthropists and sociologists will have to answer. I am not looking at him from the point of view of emigration. Unless we devise some scheme for helping this class of man, we are condemned to admit and tolerate a sore which will eventually do an infinite amount of harm to the body politic. Looking at it from the purely selfish “Islander” point of view, we must recognise the pressing necessity for an amelioration of their lot, inasmuch as they are detrimental to the welfare of the State. This is what Colonel Lamb of the Salvation Army says of vagrants :

If the adage “once a pauper, always a pauper” be true, “once a tramp, always a tramp” is even more certain, for the “road” has a fascination which the workhouse can never have. Then there are special evils connected with vagrancy, such as the propagation of an undesirable species, the dissemination of disease and moral corruption, made possible by the indiscriminate charity in the towns and the gifts—often prompted by fear—in the country.

Further on, in his report, Colonel Lamb divides this class into two sections, both of whom he designates as the “won’t works.”

- (1) Those who totally object to work.
- (2) Those who are incapable of sustained effort.

Now it seems to me that both these are a dead loss to the State. They are a burden to the nation, to individuals, or to private organisations. And yet they are an outcome of a state of things often beyond their control. The evil begins with partial employ-

ment and ends with vagrancy. Looking at this from a strictly economic point of view, without human sympathy or pity, they are a non-producing element which the State could well do without. Yet they are human beings with muscles and brains which merely require development. As long as they are kept within the confines of the United Kingdom they can never rise out of the slough of despair and vagrancy. Careful examination into their mode of life and thought, their weaknesses and want, convinces me that the one thing which may make them good citizens is hope. Even with the most degraded there always exists the primitive instinct of a desire to better themselves. We must open before them a vista of honest labour and endeavour, crowned with independence and a reasonable hope of success. These cannot be found at home, and we shall have to look to our brethren across the seas to help us. At the same time we must be careful to avoid the imputation of wishing to send them the dregs of our population. Means must be devised to endeavour to make them men before we make them colonists.

As regards the victims of drink and its allied vices, there is but little to say. We must, I suppose, reconcile ourselves to a certain residuum of utterly useless and even harmful population. But their present position and future improvement require the attention of the philanthropist rather than the statesman. As far as emigration is concerned, it is no remedy for their evils, and we must leave them to the care of charitable and religious organisations.

208 Proper Distribution of the

I hope I have shown that for some of the million poor and destitute emigration is a remedy for their misfortunes up to a certain extent. We could send to our Colonies to-morrow 22 per cent of the destitute without harm to ourselves and with benefit to them.

I have not attempted to give any estimate of the number of vagrants whom we could send abroad with advantage, because any estimate would be too optimistic. As they are now, I feel convinced that not a single Colony would receive them, but I hope to show how we may be able to make them so strong, self-valiant, and industrious that they will be welcome immigrants in every Colony in the Empire. In fact, for such as these, emigration, with a careful preparation, is the one remedy for their evils. Every society, philanthropic or religious, which has dealt with the question has gradually come to this opinion. The only danger is, as I said before, that there is a risk of emigration being credited with too many virtues. But that it is an essential need for the United Kingdom nobody can deny.

Up to the present I have looked upon this question of emigration as one of the solutions of great social problems. But, while its recognition as a solvent may induce State initiation, there is just as much need for Government help and guidance among another class of would-be emigrants who up to the present have derived—judging by the results—the greatest satisfaction from the perusal of the “United States Circular” and the “Pamphlet on the Argentine

Republic." The very best class of emigrant has been totally ignored by State as well as by private institutions. Nothing has been done to direct him to the right end. Look at these terrible figures. From 1893 to 1902, 2,700,000 emigrants left our shores. Of these, 1,700,000 went to the United States, and about 50,000 to South America and other foreign places, leaving only 950,000 to fill up the gap of population in our Colonies. I venture to think that this is a wicked waste of vitality. The State has been perfectly reckless in the matter, and has allowed our best men to become citizens of foreign States. The only efforts made up to the present to counteract this state of things has been due to Canada chiefly, and the Colonies. Almost equal inducements have been held out to Englishmen by the State to emigrate to foreign countries as to our own Colonies. As Mr. Preston of Canada said recently in a letter to the *Times*, "Great Britain has quietly slumbered, while too many of the best blood have become citizens of other nations."

There, indeed, is the great evil. It is just as Mr. Preston says, our "best blood" has been drained away. The class of emigrant who has been absorbed into foreign countries is undoubtedly the very best. He has had capital, energy, and enterprise, and has put all three at the disposal of possible rivals. We cannot blame him, in the face of the policy of *laissez faire* which had allowed him to seek other fields, and it is no use crying over spilt milk. We have lost within the last fifty years about 10,000,000 of our

210 Proper Distribution of the

best citizens. We must now look to the future and devise some new scheme whereby they can be persuaded, directed, or I would almost say forced, on to British soil. This class of men represents all that is good and strong in English nature. It consists of men who have inherited or saved a sufficient amount of money to enable them to land at their destination with a certain amount of capital. From my own experience of them I would divide them into three classes :—

- (a) The young men of good stock and antecedent, inheriting or possessing from £500 to £3000 wherewith to make a start in life.
- (b) The sons of farmers, with a total capital of from £300 to £500.
- (c) All other classes possessing by inheritance, or as the result of thrifty saving, sums varying from £50 to £200.

Of course I am referring in this classification to men who desire to emigrate. You will notice that they represent a type of man whose absorption into a foreign State is a most decided loss to the Empire. I should think that 85 per cent of these have gone to the United States or South America. While regretting this transference of our best blood to another body, we must admit that the displacement has followed a definite law. The prosperity of a new country attracts immigrants, and the abnormal and wonderful advance of the United States has drawn these men into its territory. Yet there is another law, equally plain and unmistakable, and that is that

population is a cause of prosperity. A small beginning in material progress is sufficient to induce immigration. Canada and South Africa have fulfilled the initial conditions, and the consequences are most encouraging. There is yet another process which attracts population. It is a process which the people of America studied with most satisfactory results. It is the art of advertising. For years a definite scheme of advertisement has been adopted by the United States, and the results have been the America of to-day. I do not know whether Mr. Chamberlain contemplated all the effects of the Imperial issue which he brought before the people of the United Kingdom, but I think it will be a matter of congratulation to him and to all his supporters to know that last year, for the first time since 1843, more British emigrants went to British Colonies than to foreign countries.

Now this eminently satisfactory state of things is due to divers causes. First, the conscious or unconscious advertisement which Mr. Chamberlain has given to the various portions of the Empire; and secondly, to signs of increasing prosperity in Canada and South Africa. To those of us who are anxious to see a more even distribution of population throughout the Empire, these returns of 1903 give us fresh hope and a desire for greater endeavour. We cannot, however, rest content with the mean satisfaction of having for one year sent more emigrants to the Colonies than to foreign countries. We have a huge leeway to make good, and we should set before us as

212 Proper Distribution of the

an objective the reversion of the tables of emigration. In 1902—but the year before last—230,000 emigrants went to the United States, and 140,000 to the British Colonies. In 1905 I hope to see the exact opposite.

There yet remains some admirable material which up to the present has been entirely forgotten—the quiet, sober, working man with a small wage and family. He is fulfilling a function in the State which can well be filled by another. With his wife and growing children, he is, in England, merely a hard-pressed man, working with monotonous despair. To a Colony he would be a great asset. His desire is to emigrate and to build up for himself and his children a home across the sea. But to do this even means £5 to £20, and his chances of saving this amount on 25s. a week are very small indeed. Yet I was told the other day of the case of a man who, burdened with a wife and three children, and a bare living wage of 25s. a week, yet managed to save £5 with which to emigrate.

But the utmost circumspection is necessary in dealing with this class of man. There is in England one great objection to emigration—that it tends to “skim the cream off the milk” as it were. This is a deeper feeling than most of us imagine. There is very little objection to a displacement of population as a cure to social ills, but the moment the honest, thrifty, working man is touched there is a burst of disapprobation. It is true that his place can be filled up, at present, with an equally good man

without emigratory ambition, but we must acknowledge a certain amount of justice in the arguments urged against his removal, provided it is not the result of his own effort but of extraneous aid.

DIFFICULTIES

Leaving for the final portion of my paper the methods of meeting all these needs, I would like to say a few words about the difficulties to be encountered in any scheme devised to secure a systematised distribution of the Empire's population. Any suggestion for some sort of an arrangement whereby the great problem of distress and destitution may be solved by emigration, whereby the constant draining of our best blood into foreign States may be avoided, or whereby the honest workman desirous of a wider and more congenial scope for his energy and perseverance, may be aided, is met by one great objection—that nothing must be attempted which, in any degree, adversely affects what is termed our great national characteristic—individual initiative. To this I would reply that a murderer is an excellent example of individual initiative, and that the police, judge, and hangman are equally good examples of national initiative. Wherefore I am all for national initiative when its object is the cure of an evil. Mr. Garvin has effectually disposed of that tendency to let things slide, and I only allude to the objection in order to *constater* its existence.

But a great and overwhelming difficulty lies in South Africa. Here more than in any other Colony

214 Proper Distribution of the

we have need of British immigrants, more especially settlers on the land. We are face to face with two most dangerous conditions—first, that a hostile race holds the land; and second, that the conditions of land settlement are too onerous to attract British settlers.¹ I am afraid that we are inclined to talk of the Empire without paying sufficient heed to the weak link in its chain. The future strength or weakness of the whole lies in that link, and it behoves us to examine it and to relax no effort to make it stronger. Looking at the conditions prevailing there, I am inclined to think that the elements of discord are so great that it will be almost impossible to keep South Africa within the union which we are pledged to attain. If ever there was a need for the transference of good sound British stock to a Colony, it is to South Africa. The strength of the Boer lies in the fact that he is more than a match for us in the very quality which has made us what we are. I mean the power of assimilation. We have totally failed to assimilate him, but instead he has assimilated us—at least those of us who are Scotch. With this strong-willed, prolific race in possession of the land, we British can never hope to gain the mastery unless we make extraordinary efforts. There are two methods of overcoming it—one is the emigration of British settlers in the land, and the second is education. Both are equally important. But I will deal here only with the first.

¹ Since this was written, I am glad to say that both the Transvaal and the Orange River Colony have substantially reduced their conditions.

It cannot be denied that there are almost unsurmountable difficulties. We have to face the facts of a hostile and virile race occupying the land almost entirely, of large farms where life is monotonous to a degree, of large capital necessary to secure profits, of a disinclination on the part of the Englishman to live away from all opportunities of social intercourse, and, lastly, of the many risks and dangers which await the British immigrant. It is true that there has been a great influx of British population into South Africa lately, but we must not forget that it has not the elements of permanence. The gold mines have proved the great magnet, and the gold mines themselves have a limited life. With the working out of each mine there will be a corresponding emigration from South Africa. Doubtless there will be a very considerable remnant who will live "by taking in each other's washing," but I think it will be admitted that the future of South Africa lies in the hands of those who live upon the land. There have been many attempts made to get British settlers upon the land. Some have succeeded fairly well. But at the present moment we find a great obstacle in the hard terms which are imposed upon intending settlers in the two new Colonies.¹ The settler practically saddles himself with a thirty years' debt, and is naturally shy of undertaking such a heavy charge. There is plenty of land, and good land too, and a great deal of it is lying idle. The only alternatives are that the South African Colonies should reduce their

¹ See note on p. 214.

216 Proper Distribution of the

demands, or that means must be found of granting aid to the South African settler on the grounds that he is meeting an urgent Imperial need. We cannot afford to remain idle any longer in South Africa. We must watch developments with a very keen eye. The falling away of South Africa must be prevented at all costs, and we must, as good Imperialists, stand by those who are dealing with the difficult problems out there. It seems to me that a cheery optimism with regard to South Africa is the most fatal thing possible. I will venture to quote the words of one of the most thoughtful students of movements and tendencies, to show you that my pessimism is shared by others. He says :

Looking at things out here, clearly and philosophically, without passion and heat, I am inclined to think that within fifty years there will be a semi-independent United States of South Africa. The Boer has three advantages over us—stronger character, all the good land, and a perfect political organisation. I do not see how we are to fight against the first two.

Here, then, is the weak spot in our Empire, and one of the cures is an influx of settlers on the land, which can only be attained by an alteration in the present conditions.

Among other difficulties in the way of emigration is the attitude of many Colonies. Their conditions of land settlement are too hard. Canada has been the first to recognise that a free grant of land is the only way to induce immigration on a large scale. Unfortunately, however, the people of the United States

saw the advantage before the people of the United Kingdom. In 1898 the number of emigrants for the United States into Canada was 9119 ; in 1902 it reached the total of 40,000. Still there is some consolation in the fact that the figures of the same years of immigrants from the United Kingdom rose from 11,000 to 42,000. Canada has realised that population means wealth, and has willingly sacrificed the direct profits accruing from the sale of land to the larger profits which follow population. In a word, she has come to the conclusion that the presence of a settler is worth more to the State than the land which would lie idle without his occupation. In all respects she has proved herself foremost in the matter of emigration ; her organisations are admirable and businesslike, and deserve more than the ordinary word of praise.

If the other Colonies would agree to the principle that an increase of population is in itself worth more than mere tracts of land lying idle for want of settlers, some of the greatest difficulties in the way of regulating the population of the Empire would be removed. It must not be forgotten that the settler from England is undertaking great risks. He has to raise the money for his transport across the sea ; he has before him the possibilities of failure in a new land ; he has to break off old ties and friendships, and to collect sufficient capital to settle, or at any rate to keep him until he finds his feet again. All this should be taken into consideration by the Colonies. Free grants or nominal rents should be the policy of the Colony

218 Proper Distribution of the

anxious for quick development. Canada has been a brilliant example which the rest would do well to follow. Until they do, the initial obstacle to an increase of population will remain almost insurmountable.

Another difficulty in the way of emigration is the fear, shared by many, of an interference with the labour market at home. This fear I am inclined to think is exaggerated. There are many able thinkers who are convinced that the United Kingdom is overpopulated, and that emigration forms the natural relief. The Emigration League estimates that there are nine million people in the United Kingdom on the verge of starvation. Even if we halve this total, it tends to confirm the theory of over-population. Even those who are opposed to the theory admit that there is something wrong somewhere, and I defy anybody to give a better explanation of the present misery and distress than overcrowding. Yet because of the very enthusiasm of those of us who look to emigration as the chief means of relieving the pressure, I think that we should go warily, and examine carefully the objection of those who fear a disturbance of the labour market.

Australia, which could afford a magnificent field for emigration, has shown a certain amount of apathy in the matter. This may partly be explained by the nervous dread of extra competition on the part of the Labour party, which has proved itself of enormous strength. It is a matter for congratulation that this party has at last accepted the responsibilities of power,

and I for one am convinced that they will see the necessity for offering every encouragement to immigration. A party always in opposition is bound to play a somewhat ignoble part in constant attempts to prevent, and in the lack of power to propose. But with a power of initiation in their hands, I think we can look forward with confidence to a brighter outlook. At present it is dull enough. An Australian Colony supplies the following facts. "There are 414 million of acres for settlement; in 1899 there were 1402 immigrants from the United Kingdom; in 1902 there were 769; there are not many openings for immigrants, and there is no free or assisted immigration."

Such are some of the practical difficulties that lie in the way of the distribution of population to the Colonies. They are none of them insurmountable, and some of them are perhaps insignificant. We shall find, I think, that all of them will yield to strenuous, concentrated efforts. The chief requirement now is that the question should be taken up as a great Imperial necessity, and no longer left entirely to individuals or private organisations.

PRESENT SYSTEMS

In the case of emigration, as with so many other national needs of England, individual enterprise has been, up to the present, chiefly instrumental in its development. It was not until 1886 that the Government realised a few of its responsibilities in the

220 Proper Distribution of the

matter and instituted a most excellent establishment called the Emigrants' Information Office. Its work has been done admirably, but of course its labours are limited by its income, which is just sufficient to provide for the publication of its various handbooks. Since the Office only pretends to give information to intending emigrants, its scope is obviously a very restricted one, and although in these days of national apathy we must be thankful for small mercies, yet nobody, I think, would pretend that the establishment of the Office has been an active agency in the promotion of emigration. Rather it has performed the function of an *Encyclopædia Britannica*, available to the smallest purse and full of information to those who know how to consult it with intelligence. But it has done nothing in the shape of active propaganda. Indeed, it was not intended that it should. The Government that founded it salved its conscience with its establishment, and left the rest to the worthy efforts of those who conducted it. My only complaint against it is that it does not go half far enough, though it would be wrong to assert that it has been without any influence. The Office was established in 1886. In 1887 the flow of emigration to the United States rose to the enormous total of 296,000, which has only once been exceeded, in 1881. Unfortunately the emigrants went to a foreign State, but this is no reflection on the Office, since its functions were strictly limited to affording information, and doubtless the "United States Circular" was a most excellent and enticing publication.

So much for the Government. The Colonies have not been so idle. First and foremost Canada has extended in Great Britain a great organisation giving splendid results. New Zealand, Australia, and South Africa have done good work too. Rhodesia is developing a scheme of immigration which, owing to the favourable terms she can offer, will, I hope, result in a goodly flow of settlers. Since the war Lord Milner has purchased large tracts of land in the Transvaal and the Orange River Colony, and a steady but small stream of emigrants has been the result. In Natal a Bill is now before the Legislature to facilitate immigration, and it is expected that a portion of Zululand will be shortly thrown open to European occupation. Before the fall of the late Commonwealth Government in Australia, various projects were discussed with a view to inducing immigration, and there is no reason to think that the present Labour Government will be so short-sighted as to neglect this method of increasing the natural prosperity of their country.

Coming to private organisations, we must admit the qualities of energy, forethought, and great perseverance in spite of adverse circumstances. The great pioneer of a systematised emigration has been Dr. Barnardo, who, since 1867, has sent out, chiefly to Canada, no less than 15,166 young people, trained and equipped for life in the Colonies. The results have been admirable, only 2 per cent turning out failures. The work has been done on a charitable basis, and small as the results are when we contemplate

222 Proper Distribution of the

the greater possibilities of emigration, yet the Empire owes a debt of gratitude to Dr. Barnado and his helpers, which should take the form of a substantial allowance for increased work.

All religious and charitable organisations which deal with distress and destitution come sooner or later to the conclusion that the great remedy is emigration. The Salvation Army had long ago been of this opinion, but lack of funds has prevented the realisation of large schemes of operation. Lately, however, General Booth has come forward with a project which is, when you come to think of it, merely the corollary of the inadequacy of individual effort. He calculates that £1,000,000 would be necessary, and he hopes to get £50,000 each from the Home, Canadian, Australian, and South African Governments. At present the scheme is a mere outline, but we are promised in a short time full details. Meanwhile Colonel David C. Lamb, Chief of the British Emigration Department, has been good enough to allow me to examine into the labours of the army in this respect. I must confess that I did not look in the Salvation Army for the sound economic principle and the wide Imperialism which I found there. The knowledge of home and colonial necessities is remarkable, and where the army has a great advantage over all other organisations is the fact that it is represented in every Colony. I found in Colonel Lamb a man whose sound conception of the needs of the Colonies, and thorough knowledge of the conditions at home, together with a large respect for strictly

economic principles, render his co-operation in the important question of emigration of distinct advantage to the Empire.

There is another example of the apathy of the public in this case of the Emigration League. Its object is "to promote legislation, offering free training, emigration, and a colonial farm to one member of the family." In a letter from the secretary, he informs me that the funds for this year amount only to £40, and hints that a collection would not be amiss. The appeal of the League is based upon the following considerations :—

- (1) The United Kingdom is over-populated.
- (2) The population is increasing at the rate of 400,000 a year, which is practically represented by one member of a family.
- (3) Owing to the pressure of this population's increase, the birth-rate is declining.
- (4) Unless the pressure of this population's increase is removed, the birth-rate will continue to decline until about the middle of the century, when the birth-rate will be even with the death-rate, resulting in a stationary population.

If the reason given here for the decrease in the birth-rate is correct, then there is an overwhelming argument in favour of emigration. At any rate, the League seems to have grasped one great principle that preparation is necessary for emigration. But what can you do with £40 ?

There are many smaller organisations whose object

224 Proper Distribution of the

is emigration in one form or another. They are too numerous for particular description, but they all, in their way, do good work and deserve encouragement. Some are religious, some charitable, and some definitely Imperial in their objections. We can only hope that they will all at some time or other be swallowed up into larger organisations on the principle of fair compensation for work done, which will enable a still further and more useful development.

DEFECTS

The apathy of the Government in regard to emigration has been proved by the meagre efforts which it has made up to the present. This, however, is a fault common to other matters, and as we are all fighting on behalf of national initiative *versus* drift, we can only hope for a remedy when we win the victory. But if the home Government is apathetic, most Colonies have shown a keen desire to promote immigration. Yet if they wish for a full measure of success they must be prepared to effect a radical change in their policy, and make absolutely free grants of land on conditions which will ensure its proper exploitation. South Australia initiated an excellent system of devoting the proceeds of the sale of land to the furtherance of immigration. But even that system, excellent as it undoubtedly was, had to be abandoned. Emigration in the middle of the last century was, for the most part, an impulsive movement of a class which to-day prefers to stay at

home. The Colonies have exhausted the old type of well-to-do artisan with a little nest-egg of savings. Meanwhile there remains a poorer, but just as honest and hard-working class, which has never been reached before. If we are to get some of these to emigrate, it is obvious that the very lowest terms possible must be offered. In fact all the Colonies which at present lease or sell their Crown lands will have to reconsider their position. The conditions which they were able to offer in the fifties are no longer tempting enough for to-day, and it seems to me that absolutely free grants of land are the only means of meeting their need for increased population. Even putting the matter on a mere profit and loss basis, a Colony makes a distinct gain by free grants. Take a concrete instance—a farm worth, in the open market, £500. The interest on that is, say, £15 per annum; the expenses while it is lying idle, being its share of the administration expense of the Crown lands, amount to £2 a year, leaving a paper profit of £13. As a matter of fact, idle, unsold land can provide no interest, so that in reality an unoccupied farm with £500 is a distinct loss to the State to the extent of £2 a year. But we will be generous and suppose that the £500 farm, even when unoccupied, can be regarded, for borrowing and other purposes, as an available asset, worth annually to the State £13. By giving that farm away to a settler for all time, the State is giving that sum away per annum. But what does it get in exchange? First of all, production instead of waste, a settler and his family and

226 Proper Distribution of the

an excellent addition to the population. Even on the cash basis it will be found that by direct and indirect taxation the settler and his family will contribute to the State a sum in excess of the interest on the capital value, which is only about 7d. in the £.

The proposal to give free grants of land is, I admit, a very radical one. But we may look forward with a certain amount of confidence to its favourable consideration by the Colonies because of the overwhelming need for population. In some cases, such as South Africa, it would be perhaps unfair to ask Colonies not yet enjoying representative government to give away a large asset, especially as there would be racial opposition or absorption of land by the hostile race. We shall have to meet this difficulty in other ways. But Australia, New Zealand, Tasmania, I feel certain, will, sooner or later, be obliged to fall into the line with Canada.

Individual enterprise at home is at once the curse and the blessing of the country. Its ill effects lie in its inability to supply, in an adequate manner, the means of carrying out its object. Its advantages are obvious, inasmuch as nearly every good thing we enjoy originated in individual effort, often fighting against national apathy or even antipathy. Mr. Rhodes once remarked to me that the Empire was mostly built up by individuals in spite of the State. In the matter of emigration we have an excellent example of national apathy and private enterprise. But excellent though these individual efforts are, I am sure that the time is come for a larger, broader,

and more systematised plan of campaign. There is a clear case in favour of Government aid. Though private enterprise is by no means exhausted, and even allowing for a great and phenomenal expansion, we shall still be only touching the fringe of the great question of a proper distribution of our population. We must have national initiative, but on lines which will not destroy private efforts. The happy medium, which we British love so dearly, seems to be indicated as the solution of most of the difficulties. What we cannot deny is that private enterprise has so far proved inadequate. This is its great defect, which, after all, must be attributed to the magnitude of the task to be done rather than to any other cause.

We should not forget our great debt of gratitude to the efforts of private individuals or organisations, since we are bound to admit that the cause of their failure—apart from the magnitude of the task—to do more than “tinker” with the question, is due to some obstacles over which they have no control. It is chiefly a question of distance which has been the great stumbling-block. The cost of carrying a settler and his family across the seas has been prohibitive unless the man is fairly well off. Even where he has succeeded in gathering together a nest-egg, he grudges the enormous initial expense of transport. The lowest fares to Canada vary from £5:10s.; to Australia, from £16 to £30; New Zealand, £17 to £21 or £30; Tasmania, the same; to South Africa, £9:9s. to £10:10s. With these figures it can easily be understood that emigration on a large scale is an extremely

228 Proper Distribution of the

costly affair, and it is greatly owing to this cause that the movements of population which ought to follow the great law of supply and demand have not taken place. Every natural tendency of the kind is unable to surmount the artificial obstacle of transport, and the result is the unhealthy congestion of the United Kingdom. The remarkable flow of emigrants to America is due, to a great extent, to the fact that a large percentage of them receive free tickets from their friends and relatives who have been able to save the money. Until something is done to relieve the intending emigrant of the great burden entailed by the cost of travel, the difficulty of transport will check effectually any large movement of population. Unfortunately individual effort and enterprise, with the best will in the world, have been unable to cope with the difficulties. Charitable organisations naturally feel chary in expending a lump sum of £5 to £20 for the mere carriage of a man, when they consider how far it would go towards relieving distress at home. The Salvation Army proposes to meet the difficulties in a manner which is truly imperial. "There are several ferries," they argue, "erected by the Government to convey people across the Thames free of charge. The ocean which divides us from our Colonies is, after all, merely a magnified river, inasmuch as it is a mere physical barrier to free intercourse. Why not have an imperial 'free ferry' as we have a London County Council one?" And it seems to me that this is what we shall have to come to sooner or later.

REMEDIES

Up to the present I have tried to describe the present state of emigration. I am afraid that it is a somewhat gloomy picture that I have drawn. From a home point of view, we have a dangerous and unhealthy congestion to deal with. For these three classes, the Unfortunate, the Partially Employed, and the Idler, emigration will do wonders. But all three of them require some form of preparation before we can pass them as fit for service as emigrants. The confirmed idler, the vagrant, that great sinner in our social body, must be made to work. Either as a possible emigrant or as an inhabitant of the United Kingdom, he must be forced to contribute to the welfare of the States. The work imposed on vagrants in casual wards is often not only excessive but senseless. They enter the ward for food and shelter, for which they pay with labour of their hands. But the labour they perform is regarded as an awkward and disagreeable necessity. The reward they contemplate is a discharge into the charms of the old vagrant life. There is no hope of betterment held out to them, and therefore there can be no permanent cure. We must, in order to effect this, not only to make the idle work, but to give them something to work for.

Again, the best class of emigrant, the man with a fair amount of capital, is totally ignored. He can obtain handbooks and information, but unless he falls in with an emigrant agent of a Colony, he has to rely

230 Proper Distribution of the

upon his own efforts entirely in order to reach his destination and make his start in life. It is not uncommonly his lot to get into the hands of harpies, who call themselves emigration agents, and rob him of his money. For him, too, there should be State help and advice of a more practical nature than at present.

Having examined the difficulties and defects, we must come to the remedies. First and foremost, I cannot help thinking that the advocacy of a proper system of distributing the population within the Empire should be adopted as a plank in the platform, second only in importance to Preference. If we do not, I despair of the future of emigration, for the supporters of the policy of *laissez faire* will never take it up, bound as they are to the idea that the individual must shift for himself, even when he is the victim of a condition of things outside his own control. We ought to adopt it, because unless we do there will be a very thin Empire to federate. We must not forget that at the present moment the Empire is a somewhat airy frame of square miles. It is only when it supports a white population in more even proportion to its extent that we shall be able to call it strong and healthy. Our duty seems clear before us, therefore. It should be our task to take the matter up and preach it as a part of the great gospel of Imperialism. We have still to educate the great mass of the people of the United Kingdom up to the excellences of Preference, and I can conceive of no greater aid to this than the advocacy of emigra-

tion as a relief of our home distress, and as a means of strength to the whole Empire.

I hardly dare venture to suggest a definite system of remedies, and if I put forward the outline of a scheme, it must be considered merely as the equivalent to what diplomatists call a "basis of negotiations." The details will have to be filled in with care, and after much consideration. Past mistakes should form the principal guide to future perfection. In the belief that a plan of campaign, however bad, is better than none at all, I would offer the following schemes as a tentative remedy for some of the evils I have pointed out:—

- (1) The establishment of a State control, and supervision in the matter of emigration.
- (2) The formation of an Imperial Permanent Committee on Emigration, which shall consist of representatives of the United Kingdom and the Colonies.

Its duties shall be the proper regulation—according to home and Colonial needs—of the flow of emigration.

- (3) On the one side the home Government shall undertake—
 - (a) To recognise all existing emigration organisations, provided their work is approved, and to grant aid on the basis of £1 per £1 expended by such organisations.
 - (b) To carry approved emigrants to the Colonies at Government expense.
 - (c) To establish training farms and workshops

232 Proper Distribution of Population

where intending emigrants may be prepared for a career in the Colonies.

- (d) To establish training farms and workshops, where confirmed vagrants and idlers shall be obliged to work. To reward those of them who prove themselves worthy of the selection by offering them the chance of emigrating at Government expense.
- (e) To afford every possible facility, information, and help to those who are able to emigrate at their own expense.
- (4) On the other side, the Colonies will undertake—
 - (a) To throw open their Crown lands fit for settlement free to British subjects.
 - (b) To examine all immigrants proposed by the Government, and to give them every facility if approved of.
 - (c) To afford training facilities in their own Colonies for such approved immigrants as desire to take up free selections of land.

In putting forward this scheme I am aware that there are many points which may merit criticism, but there are two great principles of reform which I hope will be allowed—

(1) State aid at home.

(2) Free selection in the Colonies.

If we can get these admitted, the details will be easily adjusted, but until we do, I am afraid that the proper distribution of the population of the Empire will be an almost impossible task.

VI

POLITICAL ECONOMY AND THE TARIFF PROBLEM

By W. J. ASHLEY

A MAJORITY of the economists of Great Britain signed a manifesto a few months ago which sought to put an absolute veto on the tariff proposals of the late Secretary of State for the Colonies. A not inconsiderable minority declined to sign, and have since indicated their willingness to give the proposals a sympathetic consideration. Some of the latter have turned to the country where economic studies are at present most largely pursued, and have pointed out that foreign experts are by no means generally in favour of a policy of national inaction. To which it has been replied that the free-trade doctrine is a peculiarly English product, and never to be surrendered in deference to theories "made in Germany." It will be worth while, then, to take a general survey of the history of political economy, and see whether it will help to explain a divergence of opinion which is certainly, at first sight, not a little remarkable.

Political economy is nothing but a systematic

consideration of some aspects of that material basis of all human activity which we know as "wealth." Its beginnings, therefore, go a long way back; it was not born from the brain of Adam Smith, or of the social philosophers in France who so profoundly influenced him. But Adam Smith was the writer who most successfully gathered together floating ideas already current, set them forth in least pedantic fashion, fortified them by the greatest abundance of interesting fact, and arranged the whole most persuasively round a single and easily intelligible principle—in his case the principle of division of labour. His very bulk threw his predecessors into so deep a shadow that he may properly be made the starting-point of our narrative. He has become one of our national deities, and all parties think it incumbent on them to invoke his authority; so let me at once put myself right with public opinion by saying that I have an immense respect for his writings. I have myself prepared an abridged edition of his *Wealth of Nations*, with the hope of inducing undergraduates to go behind the commentators to the master himself. For some years at Harvard I was accustomed to examine minutely his more important chapters sentence by sentence with a class of graduate students; and I must avow that his shrewd Scotch sense, rooted in a profound understanding of human nature, and skilled in the art of producing an impression while all the time adroitly hedging, is far more attractive to me than the highly abstract reasonings of the man who was

in some ways his follower, in others his supplanter—David Ricardo.

But there were two inevitable but most unfortunate characteristics of his great book. In the first place, it was a partisan book. It is true that it was a serious attempt to construct a body of scientific, *i.e.* of impartial and objective, doctrine; it is equally true that it was a gigantic pamphlet in favour of economic freedom—*i.e.* of the liberation of the individual all round, in industry as well as in commerce, from all forms of control by politically-organised society; his liberation, in the question-begging phrase still too current, from “government interference.” I do not blame him. But for his keen practical interest we should not have had his book. Yet no one can read it consecutively without feeling that his learning and logic are too often at the service of a preconceived view, and that his scientific conscience, though it hardly ever quite leaves him, often comes limping very tardily behind. That many of his observations and arguments were convincing enough is very certain. Some of the old forms of State regulation had been outgrown, and needed, at any rate, to be largely modified. What we cannot help regretting is that with Adam Smith modern political economy started on its career in a controversial spirit, which it has taken long to shake off, and which certainly it has not been most successful, so far, in shaking off in England.

In the second place, the *Wealth of Nations* was a book based on a contemporary philosophy which

has now largely passed away among serious thinkers. The basic idea of that philosophy was the conception of "Nature," meaning thereby the unrestrained play of individual desires, the more "natural" the less conscious they are. "Nature," in this sense, was always beneficent; to interfere with her work was both inexpedient and immoral. This belief suffuses his argument for non-restraint with a glow of righteous fervour. No philosopher worth listening to would to-day use the adjective "natural" quite so easily and comfortably; he would realise that either "Nature" includes human purpose, in which case State action may be as "natural" as anything else; or that, if it is defined to exclude human purpose, "Nature" is a good servant and a bad master. And yet this antiquated philosophy long continued to affect unconsciously economists in all lands; and in England its influence has hardly yet completely passed away.

With the English economists who followed Adam Smith I cannot now deal individually. The greatest of them was, of course, Ricardo; and it would take too long to recall the extent of his agreement with, and difference from, Adam Smith. It will be enough for our purpose to notice that in the twenties and thirties of the nineteenth century there grew up a neat self-contained little body of doctrine which to its adherents constituted "political economy." At first, it is true, the principles of political economy, however much they might be spoken of in the plural, practically meant nothing but the desirability of Free

Trade. Thus the Political Economy Club of London, which was created in 1821, had for its published purpose to "ascertain if any doctrines hostile to sound views on political economy have been propagated; to contribute whatever may be in their power to refute such erroneous doctrines; and to avail themselves of every favourable opportunity for the publication of seasonable truths within the province of this science." But all this only meant, as the club historian tells us, that the club was "founded to support the principles of Free Trade." Next to liberty of commerce, what most united the economists of the time was their ardour on behalf of internal industrial liberty. They urged the removal of all existing legal restraints on labour, and resistance to the imposition of any new ones, whether in the form of factory legislation or as the result of combination among the workpeople. But with these principles of public policy soon came to be associated a set of conclusions with regard to the actual economic structure of society—the so-called "laws" of rent, of profits, and of wages, together with the corollaries of these laws with regard to the incidence of taxation. We must speak guardedly here; there were certainly differences among the leading writers, and the popularisers were less cautious than the masters. But that there was such a thing as an orthodox political economy; that it had great vogue and much influence; and that it consisted of a small number of comparatively simple propositions, cannot be denied. It may be regarded as having been com-

238 Political Economy and

pleted in 1847, when John Stuart Mill hurriedly put it into literary form. But Mill was susceptible to other influences, and enriched his work as literature by elements inconsistent with its main core. How limited was the effective range of the old political economy, and how thin in general was its intellectual texture, may be better seen from Fawcett's simplification of Mill, published in 1863.

That date (1863) may be conveniently taken as roughly representing the culmination of the influence of the older economics in England. Almost the last remnants of Protection had been removed, and Ireland had not yet led us to lay sacrilegious hands on "freedom of contract." In France an even more limited orthodoxy had possession of the teacher's chair; the socialist and communist protests of the 1848 period had been discredited by popular excesses; the Emperor himself was supposed to be a Free Trader at heart; and the new treaty with England might, with much apparent reason, be regarded as the beginning of the end of Protection across the channel. German economics, it is true, had had a different origin; it had started in the "administrative sciences" taught to future government officials. But its original bias in favour of State action had for the time been overcome by a school which followed Adam Smith; the doctrine of "natural liberty" was still performing its necessary task of removing antiquated restrictions on trade and industry; the commercial policy of the Zollverein was one nearly approaching to complete freedom. There had indeed been an

early "historical school"; and List (worthy to be placed with Frederick the Great, Stein, and Bismarck as co-founder of the modern German Empire) had already published his penetrating criticisms of Adam Smith. But the time for List and for history to exercise their full influence had not yet come. And so, while for more than forty years the "school of natural liberty" had been supreme in England,—so supreme that outspoken dissenters like Carlyle and Ruskin could be dismissed with disdain,—abroad a doctrine which was fundamentally identical with it seemed about to secure a like supremacy.

But now in the seventies came a great stirring of the waters—most conspicuous in Germany, where there was a larger surface of scientific economic interest to be disturbed. It was primarily the pressure of the labour question which compelled economists to take stock of their mental equipment. In a well-known address delivered in 1871, Professor Adolph Wagner, of Berlin, thus described the situation :—

The science of political economy is at present passing through a great crisis. As to this the *German* representatives at least of this branch of knowledge no longer deceive themselves. That it is in Germany that the crisis is most evident may be justly regarded as an encouraging sign of national vigour. Many causes have contributed to it; but the most influential of all has been the appearance of the social or labour question.¹

It was this which in 1872 brought about the

¹ Wagner, *Rede über die sociale Frage*.

Eisenach gathering of economists, politicians, and men of business "to discuss the social question"; a conference which led to the formation of the *Verein für Socialpolitik*, under whose auspices has since appeared a long and most valuable series of investigations. The practical effect of the new movement is written large in the social legislation of the German Empire. Much of it may not unfairly be described as simply an imitation of English factory legislation. Our English economists (of course I am speaking generally) had in their palmiest days fought tooth and nail against factory legislation;¹ when it was carried against them, they and their successors were somehow able to regard it as an exception which did not endanger their general principle. But German thinkers did not fail to see that a concession on this point ought to involve a readjustment of the whole mental attitude. If, in this field, optimism broke down; if, in this field, the ultimate interests of society needed to be defended against the immediate interests of individuals; if, in this field, the State had a positive part to play,—then no longer could it be maintained as a general principle that "natural" economic forces always worked out to the best result; that society could be safely trusted to the individual pursuit of self-interest; that the State had no right to "interfere."

A second cause was the growth of the historical

¹ Cf. the remark in Greville's *Journal* (quoted in Hodder's *Shaftesbury*) with regard to the Ten Hours Bill: "Melbourne is all against Ashley; all the political economists of course."

spirit. The mere increase of information about the past began to dissipate the old simplicity of the doctrinaire philosophy of history. Freedom and interference had not, as a matter of fact, been contrasted in their effects as light and darkness. Conditions in the past had been very different; and policies, unwise now, might—it began to be perceived—have been wise then. Doctrines once conceived of as absolute for all space and time came now to be regarded as relative to particular circumstances, as resting upon postulates not eternally present. And soon these results of mere scholarship were lifted up and carried along by the vast current of evolutionary thought, which gave its intellectual colour to the second half of the century. Whether it came from Darwinian biology or from Hegelian or Comtist philosophy, the thought of development, of ceaseless change, of the advent of later organisms growing out of earlier ones, took possession of men's minds. It was seen that the problem for the economist must be "dynamic" at least as much as "static"—not only how things are, but how things are going; not only what is to be done now to serve the needs of to-day, but also what is to be done now to anticipate the needs of the days to come. This was the thought really at the bottom of the economic teachings of Frederick List. List, the only writer worthy to be placed for his influence on the world by the side of Adam Smith, was, like Smith, a controversialist as well as a scientific thinker, and his chief book is as much a big pamphlet as the *Wealth of Nations*.

He saw the world through coloured spectacles just as Smith did, if their tint was rather different; and no one can any longer completely accept his quite-too-simple forecast of the future. But, like Smith with his idea of division of labour, he had got hold of one great idea which will never cease to influence men's minds. He called it himself the "doctrine of productive powers," and contrasted it with Smith's "doctrine of exchange values." Smith, he said, thought only of the greatest possible production at a given time of exchangeable commodities, and objected to protection as impeding this immediate result. But protection, urged List, might develop a nation's productive *powers* and lead to an even larger production in the future. The criticism is a fair one; and so was the practical application which List made to his own time and country, viz. that Protection is justified for the industrial education of the people. It is, in other words, Mill's doctrine of "infant industries." In that form the idea is no longer applicable to countries like Germany or the United States; the Free Trader scores an easy victory when he asks when the infants are to be regarded as grown up. But what List had in his mind was the great thought that the economic interest of the Present is not necessarily the economic interest of the Future—that Short Period interests are not necessarily identical with Long Period interests. And in pressing this upon the attention of his countrymen, List was in profound agreement with the evolutionary spirit of the time.

List's book was called *The National System of Political Economy*; and this brings me to the third of the causes that are transforming economics. The earlier writers on trade, before the advent of the French and English school of Natural Liberty, had all had before their eyes the fortunes of a particular country. That was indeed implied in the term "political." As "domestic economy" was the science of the material affairs of a family, so "political economy" was the science of the material affairs of a political society. Even Adam Smith had defined political economy as

"a branch of the science of a statesman or legislator," which "proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, . . . and secondly, to supply the State or Commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign."¹

It would take too long to consider how it was that, thus defining it, Smith practically set the example of treating it as a doctrine applicable to industrial and commercial humanity at large, and entirely cosmopolitan. Anyhow, that was the prevailing tone of his successors: and to rid themselves of the political entanglements of their teaching, and to rise to an atmosphere of non-national humanity, has been one of the reasons for the abandonment of the term "political economy" by many recent

¹ The late Professor Thorold Rogers, who sometimes blurted out what others expressed more mildly, remarks on this, in his edition of the *Wealth of Nations* (1869): "The meaning which Adam Smith assigned to political economy has passed away."

writers in favour of the more abstract-sounding "economics."¹ But with the tide of nationalist enthusiasm reshaping the map of Europe and determining the shape of that of America, no wonder that foreign economists should feel themselves concerned above all with the fortunes of their own people and bound to think primarily of its interests. The national point of view is full of danger, and this Free Traders have not failed to point out; what they have often failed to see is that it is consistent with a noble idealism which regards the nation as an indispensable instrument for the ultimate well-being of humanity. They can hardly be expected to learn this from Bismarck; but they might perhaps learn it from Mazzini.

So much, then, for the forces which operated in the seventies—everywhere to some extent, but most notably in Germany—to modify the attitude of the economists. Do I seem to have spent too much time in describing vague intellectual influences, and to have delayed too long to come to the particular subject in which we are interested? It is because, as I have suggested already, and shall show more definitely later, it is not so much the purely abstract scientific analyses of the orthodox economist which cause him to be an *intransigéant* Free Trader. These analyses may usually be accepted as in themselves correct. It is because, instead of using them as

¹ Cf. Hadley, *Economics*, sects. 14, 16; and the opening words of Marshall's *Principles*: "Political economy or economics is a study of mankind," etc.

means *towards* the interpretation of the tendencies revealed by historical and statistical inquiry, he draws conclusions from them which are dictated not by logic but by a preconceived bias. It is in truth a mental attitude, an outlook, a philosophy of society, that confronts us in the older economics; an inadequate, rather than *in itself* a fundamentally mistaken, course of reasoning.¹

In his inaugural lecture as Rector of the Berlin University in 1897, Professor Schmoller referred to "Free Trade *v.* Protection" as one of the controversies which had by that time "disappeared from scientific discussion."² Any one who will take the trouble to look at the standard text-books at present in use in the German universities will see what he means. As examples, take the volume on "Trade" in the *System of Political Economy* by Professor Cohn (1898)—a work which has secured a wide circulation by the excellence of its literary form; or the long monograph on "Trade" by Professor Lexis—a sober and cautious writer if ever there was one—in the vast encyclopædia edited by Professor von Schönberg, and humorously called a *Handbook*. I refer to the fourth edition of this standard authority (1898).³ What

¹ Of course I do not wish to identify all the critics of the proposed fiscal changes with the social philosophy of the earlier economists. The abstract Free Trade doctrine is, for instance, conspicuously absent from the published speeches of Mr. Asquith. But the old assumptions are continually implied in a good deal of current controversial literature. Consider, as a case in point, the use of the word "ulterior" in the last paragraph of the professorial manifesto.—*Economic Journal*, xiii. 448.

² *Über einige Grundfragen* (1898), p. 339.

³ Among older books, see Roscher's *Handel und Gewerbe*, with the significant additions of Professor Stieda to the 7th edition, pp. 841, 855.

will be found in books like these is usually—first, an account and criticism of the older mercantilism ; then an account and criticism of the teachings of Adam Smith and Ricardo ; then an account and criticism both of List's doctrine of protection for manufactures only, and of that system of "solidarity" of interests, involving the protection of both industry and agriculture, which Germany has more recently borrowed from France ; then will follow a discussion of the danger to German agriculture involved in American competition ; and the whole will end with the conclusion that no absolute rule can be laid down, that sometimes Free Trade is wise, sometimes Protection, and that the decision ought to depend upon the conditions in each case. This way of dealing with the subject is apt to perplex the English reader ; after the smashing blows of the English economists it seems a little tame, not to say weak and Laodicean. And naturally he will not meet with absolute unanimity. Even putting aside the few Free Traders of the English type who are still to be found in Germany, like Professor Brentano and Professor Dietzel, and looking only at the great majority of professorial economists whose attitude is that I have described, he will learn that some, as a matter of practical policy, lean towards a relatively free trade, while others lean towards the other side. He will find they have no illusions which blind them to the selfishness of the class interests involved—whether of the great "industrials" or of the "agrarians" : they realise the dangers, but feel that they have to be faced ; that for

a State to shirk a duty because it is difficult and can only be imperfectly performed, would be to abdicate its essential function. That Free Trade, if it were possible, would produce the largest sum of wealth *in the immediate present*; that, wherever other and weightier motives do not present themselves, it is well to retain the advantages of international rivalry; that Free Trade was wise for England in 1846, owing to its quite unique industrial superiority—itself in large measure due to the conquests of war, and to a rigid protective policy in the previous period;—all this they recognise. But they point out that, if countries less favourably situated are ever to develop their resources, and so ultimately to produce the greatest sum of wealth; or, again, that if Germany desires to retain her agricultural population for political, social, and ethical reasons,—recourse must be had to protective measures.

German economic teaching is, however, necessarily a teaching for Germany. The problems which confront us in England differ from those presented to Germany in several respects. For Germany the problem at first was how to defend the new and rising manufactures of a country which had hitherto been mainly agricultural from the crushing competition of a country which had preceded her in its industrial development: with us the problem is to defend great industries already long established. For Germany the question more recently has been the preservation of the agricultural population, and above all the maintenance of a peasant proprietary rooted in

248 Political Economy and

the soil : with us the divorce of the people from the soil has already gone very much further. For Germany the colonial question is of less immediate importance than the domestic agrarian question. So far as Germany pursues a colonial policy at all, it is in the hope of making a *beginning* in the creation of oversea possessions ; of finding opportunities for the expansion of its people ; of not being left out in the cold in the partition of the world which is so rapidly proceeding ; of securing for itself " a place in the sunshine." Great Britain *has* its place in the sunshine ; it already has its vast nominal empire ; with us the question is whether that empire can be maintained and converted into an economic reality. Hence it is the spirit in which German economists approach their problem that is stimulating and suggestive for us, rather than the precise measures which they advocate.

But there are not wanting clear indications of the sort of conclusions to which their principles would lead when applied to England. Let me take two examples. One is the book by Professor Fuchs, on the *Commercial Policy of England*, which appeared in 1893. This is the source from which German professors and officials draw perhaps most of their impressions as to the position of affairs in this country. Professor Fuchs makes his way through the mazes of the Depression of Trade literature of the eighties, and of the Fair Trade and Imperial Federation discussions of the eighties and early nineties, with remarkable cool-headedness and impartiality. If he is not convinced by the writers of the Cobden Club that all is

well, he is equally unconvinced by the fair traders that all is wrong. But his general view is that a movement towards closer union between the mother country and the colonies has long been inevitable, and is politically altogether justifiable. Political without commercial federation he deems highly improbable; on the other hand, it seems to him likely enough that commercial federation will ultimately lead to political. As to the economics of the matter, an elaborate analysis of the trade figures for the preceding thirty years demonstrates to his satisfaction the weakness of the ordinary arguments for inaction. He points out how dependent Great Britain is on its foreign trade; how periods of depression have run parallel with decreased exports; how marked has been the increase in the import of manufactured goods; how the entrepôt trade has been visibly declining; how the protective policy of foreign countries had indeed, when he wrote, not so much diminished the actual amount of British trade as prevented its proportionate increase; how much more important had become the trade with countries outside Europe and the United States, and especially our trade with our colonies and possessions. The chief obstacle to the adoption of the preferential policy was recognised by him, more than eleven years ago—the fact that it involves a duty on corn. Until the new policy has so stimulated the growth of corn within the Empire as to make Great Britain independent of foreign supplies,—an object whose desirability he thinks beyond discussion,—the price of bread may be somewhat

affected. That any increased cost of bread could be more than balanced by a reduction in the duties on tea, tobacco, and coffee, he regards as very probable. The question is—Can the masses be made to understand this? That depends, as he concludes in prophetic words—some years before the late Secretary for the Colonies had identified himself with the movement—on whether England will produce a statesman “with sufficient insight, courage, energy, and tact.” Meanwhile it was Germany’s business, he frankly remarked, to hinder as far as possible the realisation of plans which would certainly be unfortunate for that country if carried out.

When an impartial observer could say this much in 1893, it is easy to realise how epoch-making must have appeared to foreign observers the grant of Canadian preference in 1897. It has seemed to them since almost inconceivable that the colonial lead should not soon be returned. Far from being taken by surprise by the speech of May, 1903, it was the utterance for which they were expectantly waiting. A modification of England’s commercial policy does not strike them as the arbitrary freak of a sentimental politician, but as the natural culmination of tendencies which have long been forcing their way towards the control of our political action.

It may be objected that in the last paragraph or so I have left the purely economic ground for the political; and it is, as we know, frequently alleged that the preferential proposal is the unfortunate result of Imperial enthusiasm, and has no real justification

in the present condition of English trade. Let me cite, then, one more German observer, and this an economist deserving of the very highest consideration. I said some time ago that almost all German teachers had been profoundly influenced by the historical spirit. But this has not led them all to exactly the same conclusion as to the future shape of their science. There are those who are more "theoretical," and there are those who are more "historical" in a limited sense of the word. Of the former the most distinguished representative is the veteran Professor Adolph Wagner, of Berlin. As compared with most of our English economists he is very historical; as compared with some of his colleagues he is so much less historical than they are that the maintainers of the old tradition, alike in England and America, have been wont to hold his "moderation" up to our respectful admiration.¹ And there is another reason why Wagner deserves attention. He has been an active and influential leader among that group of professors which took so warm an interest in the legislative protection of the working classes that they were dubbed "socialists of the chair." Nobody who cares for social progress can mention his name without respect.

Now, in 1901-2 Professor Wagner intervened in the warm discussion then proceeding in Germany with regard to a proposed increase of the duties on grain, with a book on *The Agricultural and In-*

¹ See the footnotes to Professor Marshall's *Principles*; the translation from Wagner in the (Harvard) *Quarterly Journal of Economics*, i. 13; Keynes' *Scope and Method* (1898), p. 298, etc.

dustrial State. In this he took occasion to survey the commercial position of Great Britain—for what reason? As a warning to Germany. In the compass of fifty-six closely packed pages he takes all the chief *branches* of English trade, all the chief *directions* of English trade, and shows how insecure it has become. The present movements of our commerce give us a brief respite, and that is all; they are inevitably, in his opinion, preparing for our downfall. I will not weary my readers with the detailed results of his most laborious and careful inquiry—a model of competent statistical investigation. Nor have I any means of knowing whether Professor Wagner would see in a system of Imperial preference a way out of the fate which otherwise he foretells for us. But I cannot but add that I fail altogether to understand how any impartial student of his pages can deny that the prospects of English trade under present conditions are exceedingly grave. I can understand the position of those—there are some of them, and those among the ablest, on the Free Trade side—who say that the prospect is, indeed, gloomy, but that tariffs will not help us. But how any one who has given the matter serious attention can be comfortably optimistic passes my comprehension.

The transformation of the spirit of economic teaching, so marked in the case of Germany, has been by no means limited to that country. Up to 1878 French political economy, true to the traditions of Bastiat, had retained a narrowness of outlook conspicuous even when compared with the position of

their English contemporaries. The "State," to its representatives, was a synonym for everything undesirable; and with Latin logicality they abhorred its action with equal bitterness whether it took the form of the control of foreign trade or of the regulation of the conditions of labour. In that year, however, professorships of political economy were established in the faculties of law all over the country; and the new appointees—freed by a series of circumstances, into which I need not enter, from the curious domination hitherto exercised by the group of Parisian economists—showed a remarkable readiness to view their subject in a fresh and independent way. Influenced partly by their legal and philosophical training, partly by the teaching of their German contemporaries, they started without any prepossession against State action in the economic field; and when one of them, M. Cauwès, Professor of Political Economy in the Law Faculty of Paris, published his lectures in 1880, it was found, to the unspeakable disgust of the old school, that he was actually teaching Protection in the spirit of List. I would not give the impression that all the younger men in France are Protectionists. But the old rigid orthodoxy is broken down; and, as M. Gide—perhaps the most distinguished of them, and himself leaning distinctly in the Free Trade direction—has said, the time is past in France when in professorial circles it would be gravely discussed, "Can one be an economist and a Protectionist at the same time?"¹

¹ See M. Gide's illuminating article in the (New York) *Political Science Quarterly*, v. 603 (1890).

254 Political Economy and

In the United States there were for a long time few chairs of political economy, and their occupants—like Professor Sumner of Yale—simply repeated the current English teaching, with an added virulence which did positive harm to their cause, and had absolutely no influence in checking America's resort to Protection. But the remarkable development of the universities in the eighties led to a great increase in the number of teaching positions. Most of their occupants had been trained in Germany, and came back imbued with the new spirit. In 1887 they formed the American Economic Association to keep one another in countenance, and used language about "the moral functions of the State" exceedingly trying to the economic optimism and political pessimism of the older professors. As to Protection—well, [they did not need to preach that! legislation was going fast enough that way! But they no longer damned it out and out; they distinguished and qualified it in a way repulsive to *laissez faire* sentiment. A characteristic specimen of this way of approaching the subject will be found in the popular text-book of Professor Ely, of Baltimore.¹

Time and experience have led to much the same result even with those who started with the older prepossessions. And in this connection I cannot but refer to the work of my Harvard colleague, Professor Taussig, in some ways the most distinguished of the American economists of this generation. Every one who knows anything about the Harvard department

¹ *An Introduction to Political Economy* (1889).

of Economics, and of the *Quarterly Journal* which it edits, knows that its leanings have been decidedly on the *laissez faire* and individualist side. Professor Taussig himself was objected to, on his appointment to the chair, by some Protectionist members of one of the university governing boards, on the ground of his supposed Free Trade partisanship; and his *Tariff History of the United States* has long been a storehouse of argument against the policy pursued by Congress. But now let any one who remembers this turn to the instructive article on the American iron industry in the 1900 volume of the Harvard *Quarterly Journal of Economics*. He will find that Professor Taussig still maintains that the protection of American iron involved a loss to the country *in its initial stages*. As he justly says, this conclusion, which the Protectionist man-in-the-street is usually so unready to accept, is "but a common-sense application of the principle of division of labour—a platitude hardly to be dignified as 'deductive reasoning.'" But he goes on to assert (1) that Protection did not raise the price by the whole amount of the duty, as the extreme Free Traders were wont to affirm; (2) that the recent advance in the industry, though due mainly to other factors, has really been stimulated and hastened by Protection; (3) that national aptitudes *can* be effected by "purposeful legislation"; (4) that Protection is not necessarily deterrent of improvement in the arts of production, and that, as a matter of history, this has not been its consequence in the United States. What does this mean? Not that Professor

Taussig has gone over from the Free Trade to the Protectionist camp; not even that he has abandoned abstract deduction for purely historical investigation; but simply that he has reached a position of impartial objectivity, using both history and deduction without abusing them.

From this survey of the general movement of economic thought in other countries we come back to the fact with which we started—that a majority of British economists have signed a pronouncement intended to veto any serious reconsideration of the commercial policy of this country. What is the explanation of this remarkable circumstance? It is simply this, in my judgment—that the problem has been presented to our economists at a time when the stirring of the intellectual waters is only beginning to reach England. Not that the new ideas have been without their representatives even in this country during the last three or four decades. I need but refer to the *Essays* of Cliffe Leslie (1879), the *Lectures* of Arnold Toynbee (1884), Dr. Ingram's article in the *Encyclopædia Britannica* (1885), and the writings of Dr. Cunningham. These have not, indeed, directly assailed the Free Trade position; the first two, at any rate, were Free Traders in their time; but they have represented a mental attitude alien to the older dogmatism—an attitude which, if it had become general, would, I feel sure, have prevented the kind of appeal to traditional modes of reasoning which we have lately witnessed. That they have not had more influence, that the old spirit survives so

generally in our academic chairs, is not difficult to explain. National pride has counted for something. The nationality of Adam Smith and Ricardo has made them seem, perhaps, greater intellectual giants than a quite dispassionate cosmopolitanism might have allowed. But the main cause has undoubtedly been the apparent success of our commercial policy until recent years. Hard as it may be for professorial pride to allow it, economic speculation has always been, to a very great extent, attendant upon—has even lagged behind—actual economic conditions. Adam Smith and Ricardo each tried, with much success, to give the rationale of what was actually coming into existence in their time. The teaching of List and the Germans was not the result of superior scientific insight; it was because they were set down to confront different conditions. And as the pressure of new circumstances makes itself felt by English economists, they also may be expected, if not to modify their teachings, to redistribute the emphasis. In the attitude of the minority the transition may already be seen under way. And I may perhaps be allowed to refer to one sign of the times of peculiar interest to me personally. A few years ago the teaching positions for economists in Great Britain could almost be counted on the fingers of one hand. Of late political economy has begun to grow very considerably in the part it plays in higher education, and this on account of the new demand for commercial education of a university type. The economists attached to faculties and triposes of economics and

commerce will be compelled by the exigencies of their position to resume that work of inquiry into concrete industrial phenomena which has been so long neglected under the domination of an abstract doctrine. It would not be surprising if the new departure in English academic organisation had somewhat the same effect in widening the scope of economic teaching as the new professorships in the law faculties have exercised in France.

Such conclusions as I have myself been able to reach so far by approaching the tariff issue, as I have tried to do, in a more historical spirit, I have already set forth in various places; and I need not refer to them here. But, before I conclude, I should like to make clear the attitude of those who think as I do towards the economics of our Free Trade colleagues. "Why," a friend has asked me, "take lessons from foreigners as to the temper and direction of our economic inquiries? Are there not distinguished English economists whose opinions should be conclusive?" To this we are obliged to reply, "No, not on a matter like this."

It is a simple fact of literary history that German economists have been compelled during the last thirty years to examine trade problems and to "look before and after" in a way which has produced a considerable body of writings, while in England fiscal policy has been treated as a *chose jugée*. Whatever the merits of our older literature, during the last three decades the question has certainly not called forth the vigorous exercise of our intellectual powers. The

fresh work that has been done in this country has lain on either side of Foreign Trade, and has hardly touched it. On the one side, investigations of the highest value have been made into internal industrial conditions—in such books as those of Mr. Charles Booth and of Mr. and Mrs. Sidney Webb. On the other side, attention has been turned to the fundamental groundwork of all economic life—the fact of Value—and its psychology has been ardently explored. I have in mind the noble work of Professor Marshall, of Cambridge, the *Principles of Economics*, of which the first volume appeared in 1890. No one can read it without being impressed anew with the complexity of the forces which determine the prices of commodities, and by the subtlety of their interdependence. But I do not think Professor Marshall would take it amiss if one said that one could accept all the positive and reasoned conclusions of that work, and yet remain unaffected as to one's views on the commercial situation. And for this reason. As he himself makes abundantly clear, his conscious and intentional method at the outset is *static*, *i.e.* he assumes a certain given condition of supply on the one side and demand on the other, and then considers how their interaction will produce a price which will create an equilibrium. And in this volume he never, in my opinion, really gets far away from the static conception. That the market does change is recognised as a fact; but what are the effects of that change, and, still more, what are its causes, are problems into which he has scarcely entered. Of course, we cannot expect everything to

be dealt with in a first volume. My point, however, is simply this—that there does not at present exist any modern magisterial treatise of the English orthodox school before which our babbling voices ought to sink into silence.

We are therefore thrown back chiefly on the reasonings of an earlier generation; and, with regard to these and later writings on the same lines, those who think with me have this to say. We think that economic problems need to be treated far more historically than they have hitherto been in England, in order to disentangle, if it may be, the tendencies of movements over wide spaces of time. The old abstract—so-called “deductive”—reasoning we regard as *one* of the means, and an important means, of interpreting the tendencies so disclosed. We accept all the main analyses of which it is so proud; though, as they are seldom more than the generalisations of common sense, we do not use quite such grand language about them. But we distinguish between these simple generalisations and the conclusions hastily drawn from them.

Take, for example, the proposition that in the long run exports must balance imports.¹ This, indeed, is often stated with careless brevity; properly explained and qualified, however, it is a commonplace too evident for discussion. But is it necessarily a comforting

¹ Thus the *Handbook* of the Free Trade Union opens with the statement: “The central point of the Free Trade doctrine is that, all trade being exchange, exports and imports are mutually dependent. All Protectionist objections will be found to rest on different ways of misunderstanding this fundamental truth.”

thought? Grant that imports must be paid for somehow, does it not matter how? Accept, if you will, Sir Robert Giffen's estimate as to freight and foreign investments. Is that altogether consoling? What are the apparent tendencies at work? Have other nations ever been in anything like the same situation? How has it resulted in their case? These and like questions must be faced before we are induced to be content. Then take the further proposition that nations exchange with one another those commodities in the production of which they have the greatest relative advantage. Is that certainly reassuring? What are the commodities in the production of which, as matters stand, Great Britain enjoys an advantage? What are the advantages it is likely to enjoy in the future, if things go on as they are now? What, accepting these propositions, is a reasonable forecast of the future character of British trade?¹

And one final remark. I want more history and observation, but I do not want less theory. I want more theory; and I want it to be just as "pure" or "abstract" as it can be, first, before it is applied to concrete facts. Take, for instance, the theory of "dumping." Our Free Trade friends seem to me to mix up the two questions, "Can dumping," supposing it to take place, "do harm?" and, "Is dumping likely to take place?" The economist

¹ The passage in Mr. Pigou's *Riddle of the Tariff* beginning, "The productive powers of the nation, in seeking the most profitable employment, are drawn by that very fact to those in which they are most efficient" (pp. 21, 22), is a good example of some of the most marked characteristics of the older orthodox writers, such as the identification of individual with national interest and the entirely static point of view.

ought to try to answer both questions ; but one at a time. To say that dumping cannot take place to any serious extent, so that we need not be alarmed ; and that the more the dumping the better it will be for us, are mutually destructive arguments. As a professorial economist I have a weak hankering after a common agreement on the theory of dumping. Let us start with the doctrine of cost of production ; then observe the "law" of increasing returns and notice how, as Professor Marshall puts it, "an increase in the aggregate volume of production of anything will enable a representative firm to manufacture at a less proportionate cost ;"¹ then bring in the larger market which a protected country has access to, while it defends itself and enters a foreign territory without restraint ; and so reach a conclusion as to the *continuous* effect of *normal* differences in cost of production. And when we have dwelt sufficiently on this, add the increasing tendency to sell *periodically* or in *particular* markets below the usual cost of production, owing to the greater fixity of modern capital. All this argument could be set forth by one who was entirely sceptical as to whether any serious amount of dumping was really probable ; but it would have the great advantage of clearing the ground for the purely historical and statistical inquiry which is equally necessary.

The attempt to secure the unanimous opposition of English economists to any "tampering," as it is called, with our present system, has failed from the

¹ Marshall, *Principles*, i. 397 ; cf. 422, 439, 514, etc.

very first. Some of those who signed the manifesto are now recognising the need for further information, and are joining with us in demanding that improvement in our official statistics which is so badly wanted. Others are already taking great pains to explain how they came to give their adhesion to a document whose tone, at any rate, belongs to a past age. Meanwhile the Fabian economists are beginning to play their useful *rôle* of candid friends of both sides.¹ I look forward with some confidence to the time when the great majority of teachers of political economy in this country will recognise imperial needs, and have the courage to face great dangers for a worthy end. I have never disguised from myself the exceeding gravity of the risks we run when we depart from the easy policy of doing nothing; but the probable consequences of inaction are graver still. And I am anxious that my colleagues should abandon the vain task of universal protest, and give their assistance in the practical work of a reasonable opportunism.

¹ The Fabian Society's tract (116) on *Fabianism and the Fiscal Question* combines instruction with amusement. It accepts some of the most destructive criticisms of our present commercial policy, but proposes as "an alternative" to colonial preference a few such measures as the creation of state-owned and state-managed trading fleets, the nationalisation of the railways, a large system of bounties, etc.—all this paid for by the taxation of "hundreds of millions of unearned rent and interest."

VII

COLONIAL PREFERENCE IN THE PAST

By JOHN W. HILLS

IN the discussions that are taking place upon our fiscal system the historical argument has been somewhat neglected. And this is especially remarkable in the treatment accorded to the question of preferential trade within this Empire; there is a tendency to regard this as a new departure, and to overlook the fact that from the time of the Protectorate down to the middle of the nineteenth century we enjoyed a system of which preferential trade formed the basis. The mother country took certain advantages in colonial markets, and conceded certain advantages in her own; in working out the preferential idea numerous fiscal experiments were tried, many of them successful, all of them interesting, and a fruitful field lies before us from which to draw example and warning.

It is the object of this paper to give a short account of trade preferences existing at different times within the Empire, and of their effect upon the prosperity of the countries to which they were applied.

The "Colonial System" lasted unchanged in its main features for two hundred years, from 1651 to 1849; and as it is impossible in the short time at our disposal to give anything like a detailed history of the economic relations between mother country and colonies during these years, I propose to confine myself mainly to the colonial side of the question; first to give a short account of the system as it was at the start, then to give a few illustrations of its working in practice, and lastly to make some general remarks. It need hardly be said that the system was different at different times; it was different in the hands of Clarendon and in those of Walpole or of Pitt; but when we look at it as a whole we see that in spite of differences there are certain general principles that run unchanged throughout. And the important thing is to look at these general principles: we should not regard the system as one which imposed a restriction here or granted a monopoly there, which favoured this class or that district at the expense of some other; we should rather look at it on its constructive side, and we shall then see that all these incidents are the working out of a broad and connected policy. For what were the objects of the "Colonial Pact"? They can be stated as follows:—

- (i.) To encourage shipping; (ii.) to encourage the export of English manufactures; (iii.) to encourage the colonies to produce and to export to England raw materials and articles not produced by her, taking English manu-

factures in exchange ; (iv.) to make England the *entrepôt* of colonial trade with Europe ; (v.) to bind together colonies and mother country by the bonds resulting from mutual intercourse.¹

From these main principles sprang certain corollaries as we shall see, but all the economic legislation (not certain legislation really political though in form economic) of the period can be traced directly or indirectly to these. Let us first take the Navigation Acts, "the corner stone of the policy of this country with regard to its colonies." These Acts are three in number, passed in the years 1651, 1660, and 1663, and their combined effect, so far as they concern the colonies, may be summarised as follows :—

- (i.) "No goods or commodities whatsoever" could "be imported into or exported out of" the colonies except in English or colonial ships, of which the master and three-quarters of the crew were English or colonial.
- (ii.) "No goods or commodities whatsoever of the growth, production, or manufacture of Africa, Asia, or America" could be imported into

¹ See sec. 5 of the Act of 1663 (15 Car. II. c. 7). "And in regard His Majesty's Plantations beyond the Seas are inhabited and peopled by His subjects of this His Kingdom of England ; for the maintaining a greater Correspondence and Kindness between them and keeping them in a further Dependence upon it and rendring them yet more beneficial and advantageous unto it in the further Employment and Increase of English Shipping and Seamen, Vent of English Woollen and other Manufactures and Commodities, rendring the Navigation to and from the same more safe and cheap and making this Kingdom a Staple not only of the Commodities of those Plantations but also of the Commodities of other Countries and Places, for the Supplying of them ; and it being the Usage of other Nations to keep their Plantations Trade to themselves."

England except in English or colonial ships, manned as mentioned above.

- (iii.) Goods imported into the colonies from foreign countries in Europe must have been put on board in England.
- (iv.) No alien could be a merchant in any colony.
- (v.) Certain specified colonial products could not be exported direct to foreign countries, but only either to England or to some other colony. These were originally sugar, tobacco, cotton, indigo, ginger, and dye woods. To these were added afterwards rice, molasses, and naval stores (1706), copper and furs (1722), and timber and some other commodities (1764). These articles are called the "enumerated" articles, and play an important part in the economic history of the colonies.
- (vi.) The ships had to be English or colonial built as well as so owned and manned.¹

¹ The Navigation Act (1660) of Charles II. (12 Car. II. c. 18) re-enacted and extended Cromwell's Act of 1651 (for which see Henry Scobell's *Collection of Several Acts of Parliament* (1651), pp. 165-170). Cromwell's Act, which is called "An Act for increase of Shipping and Encouragement of the Navigation of this Nation," forbade the importation into England, Ireland, or the colonies of goods the growth, production, or manufacture of Asia, Africa, or America, except in English or colonial ships. The Act also contained the well-known provision that European commodities could not be shipped to England or her colonies except from the country of origin or usual port of shipment, and then only in English ships or in ships of the country of origin. The colonies therefore could import European goods either in national (that is English or colonial) ships, or in ships of the country of origin, and colonial goods (whether from English or foreign colonies) in national ships only; they could export in any ships they pleased, but to England, Ireland, or English colonies in national ships only. The Act contained some qualifications: the Straits and Levant trade and East India trade were excepted; goods shipped to Spain or Portugal from the colonies

Thus the whole trade of the colonies, import and export, had to be carried on in national ships; they could not import European goods except through England, and certain important exports could only be sent there. With these restrictions they could trade anywhere; all the benefits given to English ships were shared by colonial ships; whenever a successful war or industrial enterprise opened new markets for England the colonies benefited equally with England; amongst themselves they had free trade or something like it, for colonial import duties were mostly light;¹ they could and did trade direct with the foreign possessions in America and the West Indies; they could and did send their ships and take their "non-enumerated" commodities, their timber, grain, meat, and fish direct to all the world, Europe

of either country could be re-shipped to England in English ships; English coasting trade was confined to English ships. The Act was a blow struck at the carrying and intermediate trade of Holland, and nothing more, in which colonial and English trade was used as a weapon. The Act of 1660 went much further; it re-enacted the Act of 1651 and further expressly limited the whole import as well as export trade of the colonies to national ships. It also initiated the policy of "enumeration," and forbade aliens from being merchants in the colonies. By a section of an Act of 1662 (13 & 14 Car. II. c. 11, s. 5) foreign built ships were expressly excluded from the privileges given to English and colonial ships. Lastly, the Act of 1663 (15 Car. II. c. 7, ss. 5 and 6) prohibited the import into the colonies of European goods unless shipped from England.

The privileges granted by the Navigation Acts were confined to England, Wales, and the colonies. Irish ships are omitted from the Act of 1651, though included in those of 1660 and 1662; but Ireland is omitted from the Act of 1663, and she soon ceased to reap much benefit under the earlier Acts. Under the Act of 1660 a shipowner, before sailing for the colonies, had to give bond that he would carry any "enumerated" commodities he might bring back either to some other colony or to England, Wales, or Ireland; but from an early date the mention of Ireland dropped out from these bonds, and in 1670 (22 & 23 Car. II. c. 26, s. 11) she was definitely excluded. Scotland had a Navigation Act of her own.

¹ *Surveys, Historic and Economic*, by W. J. Ashley, p. 320.

included. The Acts carry out the principles set out above; they aimed at promoting shipping by giving England and the colonies the carrying trade then in the hands of the Dutch; they gave England a predominant position in colonial markets by compelling the colonies to import European goods through England; and they secured for England a plentiful supply of the "enumerated" products by compelling the colonies to send all to her. It will be seen that the commodities in the original list are all (except tobacco) such as England did not produce, but had to buy from foreign nations; the object of their enumeration was not merely to give English merchants the middleman's profit resulting from handling the goods, but rather to ensure a supply for England and prevent her from having to buy them from foreign nations, which, under the restrictive systems prevailing over the world, could, it was considered, only be done for gold. And whenever a commodity was enumerated it was at the same time given special advantages in English markets. Throughout the colonial system "enumeration" and a protected market for the enumerated commodity go hand in hand.

Such is a brief outline of the system as it was at the start. I propose to take a few illustrations showing how it worked in practice, and what modifications it underwent; to take its working first in the American colonies, then in the West Indies, and then in Canada, and, lastly, to say a few words on shipping and shipbuilding, which are perhaps more conveniently treated separately.

In dealing with America, a sharp distinction must be drawn between the Northern and Southern colonies. Their economic conditions were entirely different; the Southern colonies had at first only one and never more than two important¹ industries; the earliest and most important tobacco; and later rice. They were inhabited by a race of planters, cultivating their estates with slave labour. On the other hand the Northern and Middle colonies were mainly agricultural and industrial, working with free labour. In the South agriculture was neglected and manufacture non-existent; nothing would ever induce the planters even to grow their own food, or to make any articles which they could by any possibility import; their timber was shipped to England, and re-imported as chairs and broom handles. The Northern and Middle colonies, on the contrary, had one large industry, shipbuilding, and several important ones: fishing, raising of grain and meat, timber, and furs, and, above all, general trade.

The colonial system affected the Northern and Southern colonies very differently. For the South it is difficult to see how a better system could have been devised. It is true that the Virginian tobacco-planter was compelled to import his European manufactures through England, and was thus practically restricted to English markets; but that was no hard-

¹ North Carolina, however, supplied tar, pitch, and turpentine after 1706; but their value never amounted to more than a fraction of that of tobacco or rice.

ship; he would have gone there in any event. All that he required was cheap labour, which the slave trade supplied, and markets, which he found in England or in Northern Europe through England; England was the natural *entrepôt* for this trade, and the necessity for shipping to England increased the cost but slightly. In Southern Europe he could not compete with the tobaccos of Spanish and Portuguese America; but to set against this he had the monopoly of the English market. James I. had prohibited the cultivation of tobacco in England (1619) and the importation of Spanish tobacco (1621), but the motive of the former enactment was hygienic, of the latter political; and it is not until the time of Charles II. that we get legislation with the object of giving the colonist a monopoly. Several Acts were passed stamping out its cultivation in Britain. From their number and from the severity of the penalties they imposed it is clear that its production was both common and profitable; but it was entirely stamped out, and at the same time a prohibitive duty placed on foreign tobacco, roughly speaking three times that on colonial.¹ Though a customs

¹ The following were the duties on foreign and colonial tobacco at different times:—

	Foreign. Per lb. <i>s. d.</i>	Colonial. Per lb. <i>s. d.</i>
1660 . . .	0 6	0 2
1685 . . .	1 0	0 5
1723 . . .	1 3½ ⁰	0 6½ ² ₅
1757 . . .	1 9½ ⁰	0 6½ ⁰ ₂
1782 . . .	2 8½ ⁹ ₅	0 10½ ² ₅

Under Pitt's reform of the tariff in 1787 the tobacco of the United States

duty was imposed nearly the whole was repaid on re-export, and as eventually about four-fifths¹ of the imports to England were re-exported the duty did not press hardly. All through the colonial period tobacco remained the foundation of the social and economic life of the southern colonies: in 1713 it amounted in value to over half of the colonial exports to England, and as late as 1770 to nearly one-third; and though the price fell, this was due to causes other than the colonial system.²

The difference in the treatment of the other great export, rice, is interesting. Though not introduced into America till the end of the seventeenth century, it had by the beginning of the eighteenth become

was allowed in at the same duty as that of the English colonies, and the duties were—

	Foreign (except American). Per lb. s. d.	Colonial or American. Per lb. s. d.
1787 . . .	3 3	1 3
1789 . . .	3 6	1 3
1803 . . .	4 8½	1 7¾
1815 . . .	5 5½	3 2
1825 . . .	6 0	3 0

After 1826 American tobacco was treated as foreign, and the duties were—

	Foreign. Per lb. s. d.	Colonial. Per lb. s. d.
1826 . . .	3 0	2 9
1840 . . .	3 1½ ⁶ / ₈	2 10½ ² / ₈

See Parliamentary Paper, C. 8706; *Customs Tariffs of the United Kingdom* (1897), pp. 189-191.

¹ *The Commercial Policy of England toward the American Colonies.* By George Louis Beer. Columbia College Studies in History, Economics, and Public Law, vol. iii. No. 2, p. 51.

² The exports of Virginia and Maryland rose from 28,000,000 lbs. in 1700 to 85,000,000 in 1750, and to 97,000,000 in 1773. See Beer, p. 51, and *Observations on the Commerce of the American States*, by John Baker Holroyd, Lord Sheffield, 6th edition (1784). Appendix, Table I.

the staple product of South Carolina, and at once largely supplanted Egyptian and Lombardy rice in the markets of Southern Europe.¹ Thereupon in 1706 Parliament rather vexatiously "enumerated" rice, which was unnecessary, as rice was an article of which England never consumed much. The additional freight so increased the cost that American rice lost the markets of Southern Europe; and accordingly in 1729 and 1734 Acts were passed enabling rice to be exported direct from South Carolina and Georgia to Southern Europe, which had the effect of enabling rice to regain these markets and greatly to extend its sale. There was a still larger trade with Holland and Germany; but in this case, as no hardship was caused by the rice being landed in England, the restriction remained. The English import duties, which were heavy,² were nearly all repaid on re-export, and about nineteen-twentieths³ of the imports into England were re-exported.

The operation of the system on the Northern and Middle colonies, where it fell on a much more varied economic field, was different; but the system remained the same, the encouragement of shipping, of the export of English manufactures, and of the import of non-competitive articles. In the Northern colonies, however, with their less simple economic organisation we get various developments of the main principles:—(1) Non-competitive imports into

¹ Beer, p. 53.

² 100 per cent *ad val.* in 1750.

³ Beer, p. 54.

tions (indigo,¹ silk,² etc.), these were confined to naval stores, of which England never produced enough, but had to import from Denmark, Norway, Sweden, and Russia. Besides causing an unfavourable balance of trade the dependence on foreigners for articles vital to the country's existence was always felt to be a source of weakness; matters were brought to a head at the beginning of the eighteenth century by the action of the Swedish Tar Company which, having a monopoly, was able to enforce very onerous terms; so tar was "enumerated," and at the same time bounties were given on its import into England. These originally (1706) amounted to £4 a ton on tar and pitch (reduced in 1729 to £2:4s. on tar, and £1 on pitch); £6 a ton on hemp (which was further freed from customs duty in 1721), and £1 a ton on masts; and various efforts were made, not very successfully, to preserve trees fit for masts for the Royal Navy. The policy partly succeeded and partly failed; hardly any hemp was obtained, chiefly because the New Englanders were so busy shipbuilding that they used all the home supply; in fact, they imported it largely from the Baltic through England.³ The importation of tar and pitch, on the other hand, was greatly stimulated, and supplanted the Swedish product.⁴

¹ The bounty on indigo (1748), 6d. per lb., greatly increased its export from Carolina and Georgia. Carolina exported over 1,000,000 lbs. in 1773. —See Lord Sheffield's *Observations*, Table I., 6th edition.

² The bounty on silk exported, 3s. a lb., was a failure. *Ibid.* p. 46.

³ Lord Sheffield states that the colonies did not produce one-fiftieth of the hemp they consumed.—*Observations*, p. 53.

⁴ The following figures are taken from *Industrial Experiments in the British Colonies of North America*, by Eleanor L. Lord in *John Hopkins'*

Masts (especially the better sorts) were imported, and it is stated that the British Navy for eighty years before the American War "received its masts wholly from America."¹

Next we come to articles the import of which it was desired to prevent, *e.g.* grain and meat; the duty on wheat imported into England, rising from a maximum of 16s. a quarter in Charles II.'s reign to a maximum of 22s.² in George III.'s, was quite prohibitive; whilst the import of salt meat and butter was actually forbidden. It is true that for a short time, from 1766 and 1768 respectively, colonial grain and meat could be imported free,³ but this came too

University Studies in Historical and Political Science, extra vol. 17 (1898), Appendix B.:—

Year.	Barrels of Tar and Pitch imported into England from		
	The Colonies.	Sweden.	The rest of Europe.
1705	2,346	32,754	14,593
1710	5,848	23,383	11,907
1715	25,279	2,579	23,368
1718	82,084	...	10,260

¹ See *History of New Hampshire*, by Jeremy Belknap. Second edition (1813), vol. iii. p. 155. Up to 1715, however, the imports of American masts were not extensive. See Lord's *Industrial Experiments*, Appendix B.

² Under the Act of 1670 the duty was 16s. a quarter when the price at the port of importation did not exceed 53s. 4d. per quarter, 8s. when it did not exceed 80s., and 4d. when it exceeded 80s. As a matter of fact, there seem to have been few years between 1670 and 1770 when the price exceeded 53s. 4d. a quarter. Under the Act of 1774 the duties at corresponding prices were 17s., 9s., and 1s. 4d. respectively, and when the price was below 44s. the duty was 22s.

³ For the first two years of the Seven Years' War all corn was admitted free, either in British or neutral ships, and the same was the case for a short time in 1765.

late in American history to have any economic result. On the other hand, it must be pointed out that until the second half of the eighteenth century England was a grain exporting country; so, even without taking the cost of freight into account, it is difficult to see how there could have been large imports of colonial grain had there been no duty.

Lastly, we come to restrictions imposed on colonial manufactures in the interests of English producers. A great deal has been made of these, but, speaking economically, they do not come to much. The real reason why manufactures never flourished was that it was always cheaper to buy goods from England.¹ The manufacture of woollens, except for home consumption or local sale, was prohibited at the end of the seventeenth century; and the manufacture of hats, a not very important industry, was also restricted.² But in the case of woollens it is hardly conceivable that a large manufacture could have sprung up in America unless protected by a tariff against England; for it must be remembered that at this time English woollens were forcing themselves all over the world.³ The restriction, therefore, though unwise politically and highly vexatious, was economically superfluous rather than mischievous; but another restriction—that of the production of steel and manufactured iron—was equally vexatious and possibly

¹ Ashley, *Surveys*, p. 322.

² Beer, p. 82.

³ During the American War France granted a sum of money to Congress for clothing the American troops; to the indignation of the French it was spent, not in France, but in buying English cloth in Holland.

more important economically. On the other hand, as we have seen, the production of colonial pig and bar iron was encouraged.¹ But even if we accept as true the highly coloured statements in which various writers on the subject have indulged—statements for which there is often no contemporary evidence worth mentioning²—still any restrictions from which the Northern and Middle colonies may have suffered were far more than counterbalanced by the great ship-building industry which was created and fostered by the Colonial System. How great it was we shall see when we consider the question of shipping; its history is most remarkable.

Just as “enumeration” was counterbalanced by a protected market, so the restriction which compelled the colonies to import European goods through England was mitigated by the system of “draw-backs,” under which foreign goods imported into England and re-exported to the colonies were granted a return of the whole or the greater part of the customs duties. Dutch and German linens were the commodities that chiefly benefited by the system, and it resulted in their being actually cheaper in Boston than in London.

It will be seen that the Northern colonies differed

¹ In the matter of iron, too, the colonists were prevented from manufacturing by cost, rather than by restrictive laws. Lord Sheffield estimates that it cost them three times as much to make any article as to import it from Europe (*Observations*, p. 14).

² See Ashley, *Surveys*, p. 355. Professor Ashley also points out that the fact that American imports from England increased after the War of Independence shows that the obligation to buy in England can hardly have been a grievance (*Surveys*, p. 344).

greatly from the Southern, for they produced little that England wanted or would take except ships, whilst, on the other hand, they had to buy their manufactured articles from England; they could not pay for them by direct export of goods, and a middle market was a necessity. This was found in Europe, in the Southern colonies, and in the West Indies, British, French and Dutch. None of the islands produced enough provisions for their support; their chief products were sugar, indigo, and cotton; and as their grain, meat, fish, and timber had to be imported from the Continental colonies, the trade that thus sprung up was very large, and, with shipbuilding and that great industrial pursuit of the eighteenth century, the slave trade, formed the chief support of the Northern and Middle colonies.

The industrial development of the British West Indies dates from about the Navigation Act of Charles II. (1660); at or soon after that date the cheapness of their sugars gave them command of the markets of Europe, until then held by the Portuguese sugars of Brazil. Round the history of sugar, always the chief industry of the islands, their economic history centres; but they had other industries, and leaving sugar on one side for a moment, and dealing with less important items, they supplied England with most of her raw cotton until its introduction into America, which, however, was not until nearly the end of the eighteenth century. Cotton was "enumerated," but freed entirely from duty, whilst a

high duty¹ was placed on the foreign product. In Pitt's reform of the customs in 1787 the cotton of the United States, as well as that of the colonies, was admitted free, if carried in British ships, and England soon came to draw her whole supply from the Southern States.² Some indigo also came from the islands, but a far larger quantity from Carolina;³ and there was a certain trade in other tropical products. But the history of the islands from the seventeenth to the nineteenth centuries is really a history of sugar; in the Act of 1660 sugar was "enumerated," but at the same time prohibitive duties were placed on foreign sugar,⁴ and West Indian sugar gained a monopoly of the home market which it retained until the beginning of the nineteenth century. The islands suffered, however, from one serious restriction—a restriction which it is difficult to defend; in the interests of English refiners they were prohibited from refining their sugar, and had to export it raw; in the case of a bulky article like sugar, this certainly lessened their profits unduly. They passed through a period of opulence, followed by one of substantial prosperity; during the first period they produced enough to supply England and leave a large margin for re-export

¹ The duty was 1s. 3½d. per lb., about 100 per cent *ad val.*, for Lord Sheffield gives the value of cotton at the port of exportation as 1s. per lb. only (*Observations*, Table VI).

² Tobago had produced most cotton before the war, and this island was ceded to France by the treaty of Versailles.

³ See Lord Sheffield's *Observations*, Table I.

⁴ The duty on sugar varied greatly according to quality, etc. See Parliamentary Paper C. 8706, *supra*, p. 212 *et seq.*

to Europe; but by 1740¹ French sugars supplanted them in Europe, and French and Dutch sugars or molasses were largely sold to the continental American colonies. From the molasses the Americans distilled rum, which was sold to the fishing fleets and used in the fur and slave trades, and distilling became an important industry. The English planters raised a great outcry at the success of the French islands, and attributed it to the extra cost caused by the restrictions of the Navigation Acts. This may have had something to do with it, but there were other causes at work; for one thing, French rum was excluded from France in the interests of the French brandy producers; the French planters therefore had no use for their molasses and could undersell the English. But the more important cause was that the English islands were unable to supply the American and English demand. The continental American colonies were capable of indefinite expansion, and as they expanded their demand increased, whilst the expansion of the islands was limited. The English demand increased also; from 1730 onwards the islands could do little more than supply it.² Nevertheless the clamour of the planters was listened to, and the ill-judged Molasses Act of 1733 was passed, placing prohibitive duties on the import of foreign sugar, molasses, or rum into the American colonies. Fortunately it remained a dead letter until nearly the end of the colonial period; it would have done no good to the West Indies, and been

¹ Beer, p. 63.

² *Ibid.* pp. 64-65.

disastrous to the Northern and Middle colonies; it was persistently and openly disregarded. But the Act, though an example of mistaken preferential legislation, was passed, not in the selfish interests of England, but in the fancied interests of some of her colonies. Still it was a mistake; in spite of its disregard the West Indies, until the end of the preferential period, always had a ready and expanding market for their rum and sugar. But their prosperity lessened after the first half of the eighteenth century. Various efforts were made to help them; by an Act of 1739 they were allowed to export sugar in English ships to European countries south of Cape Finisterre,¹ but this afforded no great relief, and the period following the American Revolution was one of trial and difficulty for them. In losing the thirteen colonies England lost nearly the whole of her colonial empire; the importance to her of the West Indies became very great, and the strain on them caused by the ensuing dislocation was greater still. And their position was all the harder because they were dependent on the revolted colonies for the necessities of life; that market was now closed to them, and Canada, so far from being able to supply them, did not always produce enough food to support herself.² It was clearly impossible to maintain the full rigour of the Navigation Acts, or the islands would have starved; they had to be

¹ Beer, pp. 63-64.

² *Commercial Federation and Colonial Trade Policy.* By John Davidson (1900), p. 10.

allowed to trade with the States, and the only question was whether they should be allowed complete free trade or trade under restrictions imposed with the object of developing the resources of Canada. Pitt inclined to the first alternative, but failed to carry his Free Trade measure of 1783; and it was not until 1794 that Jay's Treaty gave them the second; they could trade with the States, but only under important restrictions. Canada herself was at the same time granted free importation from the States. Even so the case of the West Indies was a hard one, and for many years from 1783 to 1806 the Governors of the islands were in the habit (quite illegally, but relying on subsequent indemnification) of issuing periodical proclamations allowing free importation from the States. But though for a time the West Indies undoubtedly suffered, still the result was a great stimulus to Canada; and there is a great deal to be said for the policy of building up the resources of Canada so as to enable her to take the place formerly occupied by the States in Imperial markets. The immediate cost was great; the future benefits were incalculably greater. The natural wealth and resources of Canada are, as we know, as great as those of the States, and it was only a question of time before she attained the position occupied by the States before the war.

To complete the story of the West Indies: the sugar duties were largely increased during the wars with Napoleon, and by 1815 were £3:3s. the hundredweight on foreign, and £1:10s. on colonial

sugar;¹ but this was a war and a revenue taxation; something had to be taxed, and an article of universal consumption was chosen. Unfortunately the islands, from their geographical limitations, were not able to answer to the stimulus given by this high protection. The position was further complicated by the abolition of the slave trade in 1812; this undoubtedly made sugar production more costly,² and gave the islands a claim for the maintenance of the high war duties long after the necessity for them had vanished. So high duties were maintained till 1846; and in 1854 all preferential treatment was abolished. If the Colonial System did not secure to the islands the continuance of the prosperity they enjoyed in the first half of the eighteenth century, it is difficult to see how it caused their decline, or how any other system would have answered better. At any rate the ruin of the islands dates from the withdrawal of preference.

The American colonies which remained to us in 1783 were in a low state of economic development; it is true that they sent a little wheat to Spain;³ but their only substantial trade was the fur trade; little timber was exported, and shipbuilding hardly existed; in 1771 out of nearly 25,000 tons of

¹ Until 1825 the sugars of Mauritius, and until 1836 those of the British East Indies, were subject to a differential duty, imposed in the interests of the West Indies.

² Especially in comparison with other countries where traffic in slaves was not abolished so early. In the French islands it continued till 1830, in Brazil till 1850, and in Cuba till 1860. See *De la Colonisation chez les Peuples Modernes*. By Paul Leroy-Beaulieu, 5th ed. 1902, vol. i. p. 195.

³ Lord Sheffield's *Observations*, p. 73.

shipping built yearly in America, Canada and Newfoundland could only turn out 400.¹ The Colonial System, when it came to be applied to Canada, was more liberal than it had been to America; we hear nothing of restrictions on manufactures, and the system of bounties and preferences was extended. Colonial timber was, as we have seen, freed from duty in 1721, but in 1809 the necessity for raising money caused a revenue duty to be imposed. In 1807 occurred the quarrel with the Northern Powers and the seizure of the Danish fleet; our dependence on the Baltic for ships' timber had for long been an admitted weakness, and it was decided to inaugurate a policy similar to that of 1706, and to endeavour to build up a supply across the Atlantic. Accordingly high discriminating duties were placed on foreign timber, until in 1819 they were £3 : 5s. a load on deals, whilst Canadian deals only paid 2s. 6d. This was undoubtedly an excessive preference, and led to the absurdity of European timber being shipped across the Atlantic and re-exported as Canadian. But in imposing these duties England was actuated by far more than economic motives; the peace of Tilsit (1807) not only made Napoleon master of Europe in a way he never was before or since, but it had for England the peculiar danger that it meant the closing to her of the Baltic. It cannot be questioned that it was sound policy to build up within the Empire an industry that could replace the Baltic industry, whatever the economic

¹ Lord Sheffield's *Observations*, p. 96.

cost might be. And the economic cost was small: Canadian timber was less durable than European, but it was plentiful and cheap, and there is no doubt that the preference upon it operated to stimulate industries in Canada and caused a great industrial advance.¹ Previously her chief industry had been the fur trade; the preference on timber made the lumber trade profitable and created the province of New Brunswick. From lumber she moved on to grain and shipping. The first important preference to colonial wheat was given in 1791, and from then till the Corn Law of 1815, under which it got a preference of 13s. a quarter,² it was always favourably treated. In the numerous changes from that date to 1842, and under all the bewildering sliding scales established from time to time, colonial wheat always received a preference; from 1843 onwards it paid a fixed duty of 1s. per quarter,³ whilst under the Act of 1846 the rate on foreign wheat varied according to price from 10s. to 4s. a quarter. All preference was of course swept away in 1849. By 1847 wheat growing had increased greatly, and in Lower Canada wheat, as an export, was overtaking timber in value,⁴ and in 1846 Canada sent us not greatly less than half the wheat we received from the States. She continues to send us a large supply, but whereas her

¹ Davidson, p. 9.

² Foreign, 80s. per quarter; Colonial, 67s. per quarter.

³ Canada at the same time agreed to place an import duty of 3s. a quarter on all wheat, except that imported from the United Kingdom or British possessions.

⁴ See figures in Porter's *Progress of the Nation* at p. 785.

export to us between 1846 and 1902 increased rather less than ten times, that of the United States increased over twenty.

The increase of shipbuilding in Canada at the beginning of the nineteenth century was as remarkable as that in New England in the eighteenth. A large trade sprang up, most of the ships being sold in England where they received a differential duty of twenty-five per cent. These preferences went the way of other preferences in 1849; we shall see in a minute, when we come to consider shipping what Canada's output was in the forties and what it is now.

There is little to be added about the other colonies. Australia and New Zealand came too late into the field to be affected by the Colonial System. The history, however, of Cape wines is interesting. These since 1805 came in at the lowest scale of duty, and in 1813 received a substantial preference, paying only 1s. 4 $\frac{2}{3}$ d. per gallon, whilst French wines paid 11s. 2 $\frac{1}{2}$ d. and Spanish and Portuguese 4s. 2d.—that is to say they paid one third of the duty on other wine, increased in 1825 to one half. The result was that between 1814 and 1823 imports into England increased ten times¹ and wine growing became a flourishing industry.² Large amounts were imported till 1860, when all differential duties were removed; the result was an immediate loss of our market, the

¹ *Customs Tariffs*, *supra*, p. 155.

² *Statistics of the Colonies of the British Empire*, by Robert Montgomery Martin (1839), p. 494.

import, which was over 600,000 gallons in 1860, falling to 40,000 in 1870, and to under 10,000 in 1896.¹

Lastly, let us consider shipbuilding and shipping. The result of the Navigation Acts was a very great development of shipbuilding in the American colonies, notably in New England.² The industry, promoted by English capital, grew rapidly; as early as 1681³ New England ships were sold in England, and in 1700 it was estimated that Boston owned more "good vessels" than Scotland and Ireland put together.⁴ The English Government (with two unimportant exceptions) always refused to interfere with the trade, though petitioned to do so by English shipbuilders,⁵ and though the Board of Trade recommended a differential duty of 5s. a ton,⁶ a fact which did not prevent certain of the colonies from giving advantages to their own ships by legislation.⁷ At the time of the War America was building over 26,000 tons annually;⁸ she had come to supply

¹ *Customs Tariffs*, pp. 156-57.

² *Economic and Social History of New England*, by William B. Weedon (1890), vol. ii. p. 574.

³ Beer, p. 156.

⁴ *Ibid.*

⁵ "The shipwrights of the River came up to Whitehall in 1725 with a complaint that their business declined and their workmen emigrated because the plantations furnished England with ships. The petition was referred to the lawyers. But the lawyers answered they might as well complain of shipbuilding at Bristol, for the American built ships were English."—*Opinions on Interesting Subjects arising from American Independence*, by George Chalmers (1784), p. 109.

⁶ *Ibid.*

⁷ Beer, p. 155. See also *History of the Revolt of the American Colonies*, by George Chalmers (1845), vol. ii. pp. 33-34.

⁸ Bishop's *American Manufactures*, vol. i. pp. 90-91. Compare Lord Sheffield's *Observations*, p. 96.

almost all the merchant ships used by this country,¹ so much so that in 1775 considerably over one third of the tonnage employed in our foreign trade was American built.² And further, besides selling this large amount of their ships to England, three-quarters of the New England trade was carried on in ships colonially owned. One of the effects of the American Revolution was to revive shipbuilding in Great Britain,³ more particularly in Wales.⁴ The New England industry was nearly ruined by the war;⁵ indeed the Americans had to come to the Thames to buy ships with which to carry on the West Indian trade,⁶ and it did not recover until a rigorous preferential system was established in 1790; from this date it grew very rapidly.⁷

But a later, and for us more important, result of the war was the encouragement of shipbuilding in Canada, Nova Scotia, New Brunswick, and Newfoundland. There the industry hardly existed before the American War; out of nearly 25,000 tons of shipping built in 1771 in America only 400 tons were built in

¹ Lord Sheffield's *Observations*, p. 99.

	Vessels.	Tonnage.
² 1775 : British built	3908	605,545
American built	2311	373,618
	6219	979,163

—*Annals of Commerce*, by David Macpherson (1805), vol. iv. p. 11 (note).

³ *Ibid.* p. 10 (note).

⁴ Chalmer's *Opinions*, p. 111.

⁵ Bishop, p. 91.

⁶ Chalmer's *Opinions*, p. 107.

⁷ Bishop, p. 92; see also Weeden's *History of New England*, vol. ii. p. 833.

Canada and Newfoundland.¹ Afterwards a considerable trade sprung up; in 1825 Lower Canada alone turned out over 22,000 tons, whilst in the forties the colonies, which are now Canada built very little less tonnage than the United Kingdom; in 1841, for example, Canada built 103,000 tons,² and the United Kingdom 168,000.³ The contrast of this large output with the 2000⁴ or 3000 tons which she turned out in 1900-1901 certainly gives occasion for thought. In the forties she could build nearly as many ships as we could. We now build nearly a million tons a year (1902), and the States nearly half a million; Canada about 3000.

The history of the increase of British shipping from 1651 to the present time is outside the scope of this paper, besides being too big and intricate a subject to be dealt with in so limited a space. The difficulties attending its treatment which would be great under any circumstances are rendered nearly insuperable by the fact that there are no reliable figures prior to 1815. Still, using such figures as exist, and taking as the standard of comparison the tonnage of English and of foreign shipping clearing

¹ The actual figures are :—

	Tons of Shipping built in 1771.
The thirteen colonies	24,092
Nova Scotia, Canada, and Newfoundland	423
	24,515

—Lord Sheffield's *Observations*, p. 96.

² Porter's *Progress of the Nation*, pp. 786-795.

³ *Ibid.* p. 395.

⁴ *Statistical Year Book of Canada* for 1901, p. 454.

from English ports,¹ they point to the following conclusions. The Navigation Acts had little immediate effect on English shipping, for from about 1660 up to the Revolution (1688), though the tonnage of English ships doubled, foreign ships clearing from English ports increased in exactly the same ratio. The Revolution is usually taken as the date that marks the rise of England's mercantile marine. There is a wonderful development between 1688 and 1750,² for while the English tonnage increases over three times, the foreign falls to little more than half of its 1688 figure. And following the figures to 1792, the year before the outbreak of war, it will be seen that the English figures grow fast and steadily, whilst the foreign grow more slowly, and further fluctuate to a much greater extent. During the Napoleonic Wars,

¹ The following figures showing the tonnage of English and of foreign shipping clearing from English ports in different years are taken from a table given in W. S. Lindsay's *Our Navigation and Mercantile Marine Laws* (1852) at p. 10. The earlier figures of that table are from George Chalmers' *Estimate of the Comparative Strength of Great Britain*. See p. 234 of the 1804 edition :—

Year.	Tons of English shipping clearing from English ports.	Tons of Foreign shipping clearing from English ports.
1663	95,266	47,634
1688	190,533	95,267
1700	273,693	43,635
1726	432,832	23,651
1750	609,798	51,386
1761	582,020	122,731
1774	901,016	68,402
1792	1,561,158	175,405
1800	1,445,271	685,051
1811	1,507,353	696,232

Up to 1751 these figures include English ships only ; from 1751 Scottish ships are included, and from 1800 ships of the United Kingdom and her possessions.

² The decline of Dutch trade dates from about 1725.

as might be expected, foreign ships using our ports increased relatively faster than English ships; the English tonnage remaining stationary—in fact, falling. In 1825 Huskisson began his amendment of the Navigation Acts by a series of reciprocal bargains with foreign countries, and in 1849 they were repealed altogether. As is well known, British shipping has increased enormously since that date; the figures are gigantic, and at first sight seem entirely satisfactory, but a closer examination shows grounds for uneasiness. For it must be pointed out (1) that until the American Civil War foreign shipping using British ports increased faster than British;¹ (2) in 1860 the United States actually owned a larger tonnage inland and ocean than the United Kingdom—one very nearly as large as the British Empire;² (3) British shipping engaged in British foreign trade attained its highest comparative position in 1885-89, since which date there has been a decline, slight at

¹ Year.	British Tonnage entered and cleared from British ports in the foreign trade (in million tons).	Foreign Tonnage entered and cleared from British ports in the foreign trade (in million tons).
1850	9	5
1860	14	10
1870	25	12

The figures for 1850 are from Glover's "Statistics of Tonnage" *Statistical Society Journal*, vol. xxvi. Those for 1860 and 1870 from Parliamentary Paper, C. d. 1761 (1903), "British and Foreign Trade and Industry" (The Fiscal Blue Book), p. 431.

	Tons.
² United Kingdom	4,658,687
British Empire	5,710,968
United States	5,299,175

—Fiscal Blue Book, p. 376.

first, but now more marked;¹ however, it is still highly prosperous. British shipping gained its wonderful position owing to two causes unconnected with the repeal of the Navigation Acts: the first, the American Civil War, which threw their carrying trade into our hands; and the second, more important still, the use of iron and steel instead of wood for shipbuilding. The first iron ship was built in 1832;² between 1849 (the repeal of the Acts) and 1860 wooden ships had been largely superseded; and at that time England, holding a monopoly of the production of steel, was able not only to retain, but largely to increase her pre-eminence. But it is open to doubt whether she could have done so under the old conditions of shipbuilding. America's advantages in timber and naval stores must have told in her favour.³ And if we now allow other nations to monopolise the production of steel they will treat us as we treated them, and our shipbuilding industry will be at their mercy.

That brings us to the whole policy of the repeal in 1849. Then we certainly gave way too much and got too little in return. Under Huskisson's policy, from 1825-1848, a series of reciprocal bargains were

¹ Year.	Proportion of British ships to total entrances to and clearance from British ports in foreign trade.
1885-89	73·1 per cent.
1890-94	72·3 „
1895-99	70·8 „
1900-02	64·2 „

—Fiscal Blue Book, p. 432.

² *The Growth of English Industry and Commerce in Modern Times*, by W. Cunningham, Part II. p. 833.

³ *Ibid.* p. 832.

made with foreign countries under which we granted concessions and secured advantages; in 1849 that process was thought too slow and the whole Acts, the good with the bad, were swept away. We got nothing in return; all our trade is open to American ships, but their enormous coasting trade is closed to us. The carriage of goods from the States to Porto Rico, formerly done largely by British or Canadian ships, is now confined exclusively to American ships; the same will certainly be the case with the Phillipine trade in a few years' time (1909), and possibly also with Cuba. Is not the time coming when we should exclude from our imperial trade such nations as exclude us from theirs? We certainly need not be deterred by fear of retaliation; they could not do us more harm than they do already.¹

The repeal of the Navigation Acts was followed, in spite of the vigorous protests of the colonies, by the repeal of their preferences in English markets. We have seen how these preferences affected certain industries. What was their general effect upon the prosperity of the countries to which they were applied? First of all it must be remembered that we are dealing here only with the economic side of the question; it may well be maintained that "England gave defence in return for trade privileges"—defence without which the colonies could not have existed. But from the economic side only the Eng-

¹ Canada by an Act of last year confines her coasting trade to British or Canadian built ships, except on payment of a differential duty. She thus excludes foreign-built ships even though on the British register.

lish Colonial System was an enormous advance upon anything which preceded it; it was not free from faults, but it was not only well adapted to the conditions it had to meet, but it was infinitely superior to those adopted by the earlier Empires, the Portuguese, the Spanish, the Dutch, and the French. Under it the American colonies prospered greatly; and if we take its working up to about 1760 it is hard to see how any other system would have done better. No doubt the passing of the Navigation Act caused temporary hardship, for, as might be imagined, so drastic a measure could not be brought into operation without considerable dislocation. The American and West Indian planter had been in the habit of sending his tobacco and sugar in Dutch ships to Amsterdam; his business connections were there, and when he was compelled to ship to Bristol or London he certainly suffered loss. Besides, at first English ships were scarce, colonial ships still scarcer, and freights consequently high. But matters soon righted themselves, for the demand for ships stimulated the supply, chiefly as we have seen in America, and therefore, though we hear considerable complaints from Virginia during the 17th century, they soon die away, and it is clear that no hardship was felt.¹ The hardship in the West Indies was greater and lasted longer, but here, too, the loudest complaints are during the 17th century.² After 1760 mistakes were

¹ Ashley, *Surveys*, pp. 317-319.

² *The Growth of English Industry and Commerce in Modern Times*, by W. Cunningham, Part I. p. 360.

undoubtedly made, but up to then the system worked with little friction, and though some of the restrictions look formidable on paper they imposed no hardship, for to a great extent they only compelled trade into the channels into which it would have flowed without compulsion.¹ Under it the American colonies advanced in a wonderful manner. Their population more than doubled in the twenty-five years before the War, and in 1775 was nearly $2\frac{1}{2}$ millions at a time when that of England and Wales was under 8 millions. No one who has read anything of the contemporary literature can doubt that their general well-being reached a very high standard. In Canada also, when tested by wealth and population, we find the same results; in the West Indies the ruin of the islands dates from the withdrawal of preference, though, of course, other causes were at work. But the system was less successful in the period from 1760 to 1849 than it had been from 1651 to 1760. To this causes outside the system contributed; the Empire underwent the shattering blow of the loss of America and the strain of the Napoleonic Wars. Still, though the system itself, certainly after 1815, was less intelligently applied, and though it had become stereotyped, and the spirit of it was sometimes forgotten, it did bring the country through the trials of the Napoleonic Wars, and it held the Empire together when a slighter bond might have snapped. So, if we are to judge of the system over the whole

¹ *The Colonial Policy of the European Powers*, by Lord Brougham (1803), vol. i. p. 246.

period, we must pronounce it successful from the point of view of the Empire. England, too, considered individually, prospered greatly; at the Restoration she was commercially an undeveloped and an unprogressive country at home; abroad, the carrying trade of the world was in the hands of the Dutch; Amsterdam was the business centre of the world; great trades like the tobacco and sugar trade, even from English colonies, were centred there, and her Colonial Empire was not only the latest in date but the least important of the five great Colonial Empires. The change by 1783 is extraordinary.¹ England was then the manufacturing, shipping, and financial centre of the world; so much so, that though the States gained their political freedom in 1783 they remained commercial dependencies of England till 1808.

No one pretends that this advance is all due to the Navigation Acts, or to Protection, or to any other single cause. Sweden had a Navigation Act, and Colbert gave France, a much richer country than England, a protective system, yet England far outstrips both countries. In her struggle for commercial supremacy she overcomes Free Trade Holland as well as Protectionist France. As we look at her struggle with each nation in turn we are struck by the fact that it seems to be a different quality in England that gives her the victory in different cases; her

¹ English exports rose from £4,000,000 in 1688 to nearly £14,000,000 in 1783; imports from £7,000,000 to £11,500,000; revenue from £1,200,000 in 1660 to nearly £13,000,000 in 1784; and population (England and Wales) from 5,500,000 in 1688 to nearly 8,000,000 in 1780.—Cunningham, pp. 931, *et seq.*

Colonial Empire excelled those of Spain and France, not only as a result of successful war, but because her system was more liberal; she beat the Dutch, those great Free Traders of the seventeenth and eighteenth centuries, because it was more rigid. Since the time of Burghley she had steadily built up her manufacturing and producing power, and when the colonies came into the field limited them to supplying her with raw materials and articles she could not produce, and forced their trade to react on her industry. Against an Empire self-contained as hers, producing goods which the world had to buy, and secure of its food and raw materials, Holland, whose prosperity depended on supplying articles which she did not produce to consumers whom she did not control, found herself powerless; in despair she made her trade freer and freer, and staved off ruin for a time, but when once the battle was joined there could be no doubt about the ultimate issue.¹ But we must not make the mistake of attributing England's success to industrial efficiency alone. Other causes played a mighty part. The Seven Years' War and the French Revolutionary War had far-reaching economic results, and, taking even unsuccessful wars, the Dutch war of Charles II., humiliating though it was for us, damaged their trade infinitely more than ours; while from the disasters of the war of the American Revolution English industry emerged stronger than ever. Still, perhaps the greatest single cause of England's success

¹ A short account of the fall of Dutch trade will be found in a book which has recently appeared, *The Coming Reaction*, by "Legislator," 1903.

was the competitive efficiency she gained from her national organisation of trade and industry. To the furtherance of this she devoted herself for centuries with an amazing pertinacity and foresight. Trade was not considered beneath the notice of a statesman, and it was left to a living politician to discover in it a squalor invisible to Burghley or to Pitt. There are many lessons which we can learn from the old Colonial System ; perhaps the greatest is also the simplest—that constructive legislation, even though restrictive, can increase the industrial efficiency of a country, and that a statesman's duty towards industry is not confined to benevolent neutrality. It will hardly be contended that individual effort, and what is called the free play of natural forces could have had a fraction of the effect of a single Act of Parliament—the Navigation Act of Charles II.

As might be expected, many mistakes were made in working out the system, and it is to these that most of the attacks on it have been directed. The criticisms on it have been strangely divergent ; to some it has seemed that the system of colonial preferences and bounties laid too heavy a burden on England ; others have considered it a selfish exploitation of the colonies for the benefit of England. That there is some truth in this latter criticism every one must admit, for though, as we have seen, the rigour of the theory was mitigated in practice, and though the system ultimately developed was a real interchange of services between colonies and mother country, still it was the welfare of England that was the main

object of statesmen of the seventeenth and still more of the eighteenth century. The important things for us to remember are—first, that this policy attained its object; and next, that any system now to be applied to the Empire will consider the interests of the whole, not those of a part only. It is not possible to say what the system of the future will be, but it is not possible to doubt that there will be a system. And we can believe this without being taken to condemn altogether the fiscal changes of the first half of the nineteenth century. England then required for her industrial success cheap food and extended markets; Free Trade gave the first, and for a time her extraordinary industrial supremacy gave her the second also. No one denies that cheap food stimulates industry, but what is overlooked is the fact that, as List pointed out, industrial and agricultural development must go hand in hand—the one is complementary to the other. We chose, and chose rightly, to stimulate industry, but by so doing we were bound to stimulate agriculture at some point on the earth's surface. We allowed this stimulus to be applied to a foreign country instead of retaining it, not for England,¹ for that would not have been possible, but for some part of the Empire. Our manufacturing progress from 1850 onwards built up in the United States that agricultural prosperity which formed the essential condition of their subsequent industrial success. A great part of this

¹ The Corn Law of 1815 was an attempt at the impossible and failed signally.

agricultural prosperity might have been secured for Canada had we done no more than continue the preference on colonial wheat which existed in 1849. The present development of the United States, enormous as it is, is all the work of the last few years. Up to 1834 we sent more emigrants to Quebec¹ than to New York, and even up to 1842 more to the British colonies than to the United States, and it is surely not assuming too much to say that a part at any rate of the fertilising stream of men and money that from 1840 onwards flowed from the United Kingdom to the States might have been diverted to Australia, New Zealand, or Canada. But fortunately we need not confine ourselves to speculations on what might have happened if sixty years ago, instead of abolishing the system root and branch, we had modified it to meet altered conditions: we have instead to look at the circumstances of to-day, and to find some method of applying to the Empire that efficient organisation which the Colonial System applied to England.

¹ Porter's *Progress of the Nation*, pp. 128 and 129.

VIII

TARIFF REFORM AND POLITICAL MORALITY

By W. CUNNINGHAM

A FEW years ago, when a religious census of London was taken by an enterprising newspaper, and the results that were obtained became an occasional subject of pulpit comment, some of us were struck with the fatuity of discoursing to the people who do attend church about the negligence of those who do not. It is perhaps almost equally futile to speak to Compatriots and their friends and acquaintances about what seems to me a serious symptom in the present day—the number of people one habitually meets who will not take the trouble of thinking about the Fiscal Question at all. The demands which the State makes upon the energy and devotion of British citizens are few; compulsory military service does not exist, and there are people who seem to take a pride in their success in evading the duty of contributing towards public burdens. But there is least excuse for those who are so supine and careless that they will not even be at the trouble to give their

minds to the great national questions on which they may be called upon to vote. They are content to say that they have been brought up as Free Traders, or that they are suspicious of all wares that come from Birmingham, or they disparage their own intelligence as unfitted to grapple with the question. As individuals, and in the other relations of life, they may be excellent people, but they cannot have any real sense of their duty as citizens. It may surely be doubted whether a community, which contains many such men, is, after all, really fit for parliamentary institutions.

I

There is, however, an even more dangerous element in the community, since it is actively mischievous; it consists of those who provide the public with excuses for this apathy. To educate the public, and help them to make up their own minds for themselves is one thing, but it is quite another to undertake to do their thinking for them. When a number of experts agree together to issue a manifesto, it is only too likely that those of their neighbours who are mentally indolent may hold themselves excused from looking farther into the matter. What the motives and intentions of the fourteen professors may have been I do not know—I have heard many different personal explanations, but I only understand that some of them did not mean what they appeared to say; but if the public had taken them as seriously as they took themselves,

there would have been a general disposition to drop all further discussion. When fourteen eminent experts "beg leave to express their opinion on certain matters of a more or less technical character connected with the fiscal proposals which now occupy the attention of the country,"¹ the man in the street may hold that he is justified in letting the subject alone, and giving his undivided attention to more congenial matters, such as Test Matches or the Laws of Bridge.

From the purely academic standpoint there was another reason for regretting the language of that manifesto; it tended to confirm the general public in a common misapprehension as to the scope and method of Political Economy, as if that science pretended to lay down maxims of practical policy which hold good for all times and places alike. Economic principles are admirably useful as tentative hypotheses to assist us in the investigation of economic phenomena: they do not summarise the results of such study in the form of universal laws. Indeed, formal economics, like formal logic, is an admirable instrument for detecting fallacious argument, but it does not give positive information; there is no royal road to economic wisdom which enables us to dispense with the careful study of actual events. When a group of experts appeared to urge that the expediency of Free Trade had been established once for all, it was necessary for others to point out that there ought to be an appeal from this dictum to

¹ *Times*, 15th August 1903.

Economic History. We were justified in asking, Under what circumstances was Free Trade adopted? How far have the expectations of its advocates been realised? How far have the political ends towards which economic policy supplies the means been modified since 1846? It is only when we turn our attention to these points that we can hope to place the controversy on a scientific basis. The argument is not a mere discussion of economic abstractions, but deals directly with the facts of national life in all their complexity.

It is no discredit to those who are adepts in the refinements of economic analysis, that they should not always find it quite easy to investigate economic phenomena. It is one thing to trace out what must happen eventually in a longer or shorter period of time if other conditions remain the same, and another to state accurately what has been the result of certain changes during the last half century. There need be no surprise that those who find themselves in an unaccustomed atmosphere should not appear at their best. Men who are acute in economic analysis may yet be without experience of the difficulty of testing and utilising the materials that lie to hand.

(*a*) My friend Mr. Harold Cox has essayed to deal with the question as to the expectations of those who advocated Free Trade in 1846. In his official reply to Mr. Balfour's pamphlet he tries to show that Cobden's prophecy—that all other countries would adopt Free Trade within five years¹—came after the

¹ *Speeches*, i. 360.

adoption of the new policy, and could have no influence upon the event. He says that Cobden made his prophecy in January 1846, and that the Free Trade victory had been won in December 1845, when Peel determined to abolish the Corn Laws. One would not gather from Mr. Cox's remark that Cobden, in that speech of 15th January 1846, appears to have been quite in the dark as to which of three possible courses Peel would take; he spoke as a man who knew that the fight in the House of Commons was still before him, and that it was necessary to do all he could to influence votes. Mr. Cox proceeds to drive his view of the situation home, and calls attention to Peel's statement that he was personally in favour of a Free Trade policy for England, whatever other countries might do. "There is," says Mr. Cox triumphantly, "not a tittle of evidence to show that the decision of England to adopt Free Trade was in the least influenced by the anticipation, or even by the hope that other countries would follow her example. On the contrary it can be conclusively proved that this decision was taken without regard to its effect on the policy of other countries." Now it is quite true that Peel was personally prepared for a policy of one-sided Free Trade, but the House of Commons was not, and Peel knew it. A considerable part of the speech of 27th January 1846, more than a column in Hansard, is occupied with an attempt to show that several other countries, including the United States, Naples, Norway, Sweden, Austria, and Hanover, were moving in the direction of Free Trade. Sir Robert Peel evidently

thought that this forecast as to the probable action of other countries would influence votes in a House of Commons which was known to be out of sympathy with his proposal. It is at all events well that we should understand what the Cobden Club regards as a "conclusive proof."

(b) The Cobdenites may feel that it is not worth while to examine particular incidents in ancient history very closely, but I do not find that they are more happy in dealing with the general course of events. Some friends of mine were discussing in my presence the title of some lectures I was giving at Cambridge,—on the "Rise and Decline of Free Trade,"—and a Cobdenite, a former University Extension Lecturer on Political Economy, objected that it begged the whole question, and that there was no real reaction against Free Trade in this country. Another suggested that the title might be justified if we considered the world as a whole. But the Cobdenite took him up at once. "Other countries have always been Protectionist," he said; "they were never more inclined to Free Trade than they are now." Considering the changes that have taken place in our trade relations with France, Germany, Austria, and the United States since Cobden's achievement in 1860, that statement seemed to me a very bold one. It has its parallel in the discovery of the *Daily Chronicle*¹ that our Empire has grown up under a system of Free Trade.

(c) Nor do the Cobdenites seem to me to be very

¹ 22nd November 1904.

successful in dealing, not with very foreign relations but with internal affairs. I have been much impressed, when I have been trying to get light on the conditions of the working-classes of this country in bygone days, with the difficulty of getting any data from which to judge of the state of employment. So obscure is the subject that Prof. Thorold Rogers gave it up in despair, and contented himself with assuming that employment was fairly constant all through the later middle ages and modern times.¹ He almost seems to have taken the view that the variations in employment were not very important, and that the welfare of the working-classes varied directly with the price of food. To the Cobdenite there is much to be said in favour of this doctrine. "If wages are high," he would say, "it shows that there is a large demand for labour, and employment *must* be good; if wages are low, there will be—other things being equal—a high rate of profit, so that capital will be forthcoming and once again employment *must* be good." That sort of argument is a mere dialectic trick; it is always possible to supply such half-truths to the half-educated, and thus save them the trouble of trying to think. But employment is not constant, and we cannot even get any one rough and ready index that is reliable; at first sight it might appear that the rise or fall of the poor-rates would give us a means of estimating the amount of distress which was due to insufficient or irregular employment, and I have heard it used in this way by a lecturer

¹ *Agriculture and Prices*, iv. 755.

who was endeavouring to show how much we all are prospering under Free Trade. Anyone who has studied the story of poor relief in the eighteenth century would know how illusory this test of employment is. A diminution of the rates in that era sometimes meant, not that the working-classes were more fully employed, but that there had been greater stringency in the administration—not that the poor had less need, but merely that they were allowed to suffer more. So far as the present day is concerned it may suffice to quote the Report of the Committee of the Charity Organisation Society : —“It is evident, from the survey of the state of poor relief in London that, whatever be the cause, the Poor Law in many Unions is no longer fulfilling its function of dealing with the destitute unemployed.” Under these circumstances we cannot infer anything, one way or another, as to the conditions even of unskilled employment, from the change in the rates. The study of social conditions is not a good subject for impressionist treatment; long and careful consideration must be brought to bear before we can hope to interpret the economic phenomena of our complex society aright. There must be a satisfaction to all “Compatriots” in feeling that while we are trying to educate the public, we may also be doing something incidentally for the education of our expert opponents.

II

Imitation is the sincerest flattery, and the fourteen professors must have been gratified last November to find that their example had been followed by some eminent ecclesiastics. Last November another Fiscal Manifesto appeared in the *Guardian*.¹ These moralists were able to express themselves more tersely than the men of science,—owing perhaps to their more thorough acquaintance with Greek,—and I trust you will pardon me if I read a document which has not attracted general attention.

We, the undersigned, desire to protest against the re-establishment in Great Britain of a system of Protection, because, however sincere and patriotic may be the intention of its advocates, in itself it inevitably tends to evoke the motives and foster the tendencies against which we are all accustomed to protest as immoral.

1. It cannot succeed without increasing the severance of nations; it intensifies rivalries and strengthens barriers; it is a foe to peace, and to the hopes of a wider unity of workers.
2. No nation can adopt it without danger to the uprightness of its public life; it makes bribery pay; it creates monopolies; it opens the door of Parliamentary lobbies to all those influences which it is our main object to exclude.
3. It is bound by its very conditions to tell hardest against those who are least able to protect themselves. It will be secured by those who can best

¹ 23rd November, 1904.

apply the pressure necessary to make their case heard. The tariff will be moulded by and for the best organised. The weak and unorganised will be least able to make their interests felt, and will have to bear the burden of the gain of the strong.

I know several of the signatories quite intimately, and I am sorry that men of such high character should have lent themselves to a course which seems to me to be mischievous. They speak of themselves as "charged with responsibility for the national conscience;" and they waive aside the whole of the economic controversy as "superficial discussion." They have no patience for the "salient details on which the controversy has focussed itself—the possibilities of Retaliation, the subtleties of dumping, the complicated effects of preferential tariffs." They would have their fellow-citizens leave it all on one side, and be guided by "certain fundamental judgments, ethical and social, which are profoundly involved in the issue." It is unfortunate that any men, who pose as guides, should tell the citizens of this country that they need not trouble to consider this great question in its various aspects, but should deal with it off-hand as a simple matter of right and wrong.

Abstract reasoning from principles does not take us any further in questions of social morality than in questions of material prosperity. To deduce from fundamental moral principles the course which a nation ought to pursue, without consideration of

time and place, is an impossibility ; hasty impressions, as to inevitable tendencies and the probable motives of other people, do not give sufficient data for a definite decision. The principles of right and wrong may be plain enough ; and a man can apply them confidently in regard to his own conduct, if he is perfectly clear as to his own motives and action ; but no one can judge with certainty of the aims and intentions of other people. It is still harder to appraise the good and evil of any social change. Questions of circumstances and expediency come in all the time ; and those who decide on the good or evil of any proposal, from its probable effects on the feeling aroused in other countries, or on the condition of the poor, are on very uncertain ground ; their judgment rests on a forecast of the future. To follow out the precise consequences of any step in the economic sphere is hard enough, but to tell *a priori* what the indirect influence will be, in the sphere of morality, seems to me impossible. For one thing, the element of time comes in, and the difference between the immediate and ulterior effects must be taken into account. It is very hard to say what on the whole have been the moral effects of the introduction of the factory system. At first its influence was undoubtedly bad ; there is a general consensus of opinion that it tended to the deterioration of the population, both physically and morally. For the last half-century, however, there has been an extraordinary improvement ; the intelligence, morals, and comfort of the cotton operatives have probably

been far higher than was ever possible under the old system of cottage industry. We cannot, even in retrospect, sum up the good and evil accurately in a phrase; and it is very rash to make a forecast as to the inevitable moral effects of any economic changes. The signatories of the clerical manifesto do not appear to recognise this difficulty; the force of their plea for the consideration of moral judgments depends entirely on the assumptions that Tariff Reform must inevitably exercise a malign influence in creating international discord, in sapping the honesty of government, and degrading the condition of the poor; while it is implied that our present Free Import policy tends to diminish or eradicate these evils.

(a) There is often some difficulty in distinguishing between real and merely apparent evils in our social system; the tares are not so distinct that we can clear them out without damaging the wheat. Even in regard to the most patent mischiefs, it sometimes seems that they are almost inextricably connected with what is really good. Fifty years ago, in Cobden's time, it seemed reasonable to attribute the existence of war and the miseries it entails to the caprice of rulers and their criminal disregard for the welfare of their subjects; but this would not be a plausible explanation of the recent struggles in which the United States and England have each taken part. In democratic countries, war is the outcome of national rather than dynastic ambition; it springs from the national self-consciousness, which desires to

maintain itself in the world, and perpetuate its traditions, and customs, and influence. Though such love of country and pride of race may lead to aggression and cruelty, they are not in themselves evil, and there is no immediate prospect of their disappearance. There might indeed be no room for national differences, if all men had one language and one religion and one history and one literature, and a common code of ethics and conventions of politeness. Even if such uniformity were possible, it might not be altogether wholesome. There are some advantages in a diversity which makes it feasible for one race to develop certain sides of human faculty and interest, while another cultivates others. But whether a thorough-going cosmopolitanism would be desirable or not, we need hardly discuss. At present, national differences exist ; and for nine men out of ten, the best social life is to be found, not in being denationalised, but in absorbing to the full the heritage of culture and the aspirations for well-being that live in the heart of the nation. In so far as patriotism and national ambition persist, there will always be a risk of national rivalries and quarrels, that lead to the outbreak of war, but these are not the inevitable adjuncts of vigorous national life. International agreement and organisation may so far extend among the enterprising races in the world, that the risk of war may be reduced further and further, even if it is never eliminated altogether.

Fifty years ago it was possible to hope that commercial intercourse would so bind trading nations

together that none would willingly submit to an interruption of these relations. But the tie created by mutual economic dependence is not proof against more than a slight strain. The American Colonies were kept in conscious economic dependence on Great Britain, but this condition did not tend to foster loyal feeling. Some of the members of every community are likely to suffer from the opening up of trade, even if it proves an advantage in the long run. Villages may easily be impoverished by the opening of a railway, which causes its industries to feel the competition of towns; and international trade may pave the way for international competition, in which the weakest goes to the wall. The extension of commercial intercourse does not necessarily promote international complaisance. Just as it is possible for a great capitalist to drive oppressive bargains with his countrymen, so is it possible for a wealthy country to drive bargains with her neighbours that are felt to be injurious to their social and political life. The extraordinary success of England in building up commercial and manufacturing greatness during the eighteenth century enabled her to retard the progress of other countries, and gave rise to the general dissatisfaction on which Napoleon was able to work, when he organised the Continental System. The dominance of England became even more marked when the industrial revolution was completed in this country; to Germans and to Americans, England appeared to be a foe who would deliberately crush out their developing industries, and force them to

be content with a subordinate place in the world.¹ Cobden and Bright were undoubtedly actuated by a desire for universal peace, but for all that, the effect of the triumph of Free Trade was to rouse fresh antagonism in foreign lands, and to compel other countries, and even our own Colonies, to defend themselves against us. The subtle methods by which the Cobdenite policy was sapping the vitality of continental nations could not be submitted to tamely, and were not favourable to international harmony. There is no excuse in the present day for hailing the extension of international commerce as in itself the harbinger of universal peace.

(b) The strong impression which Cobdenites cherish, that a policy of Free Imports is essential to the welfare of the poor, seems to rest on a comparison of the condition of the working classes before 1846 with their situation at the present time. We can hardly follow them in laying the sole stress on this factor in the change, when we remember how many other alterations there have been. The new Poor Law has come into operation, the strength of Labour Organisation has grown immensely, and the introduction of cheap travelling has greatly increased the fluidity of labour. When we notice how little the price of food altered in the decades immediately after the Repeal, while the progress of the working classes was going on rapidly, we shall feel that it is easy to overrate the beneficial influence of cheap food. With all the evidence before us as to the sufferings of the unem-

¹ F. List, *National System of Political Economy* (1904), 106.

ployed in particular seasons, and as to the numbers who are so little employed that they cannot support themselves, none of us are likely to shut our eyes to the problem of poverty; but just because it is so vast, there is all the more need that we should seek for a remedy, and not be content with administering palliatives. For one thing the element of time must be taken into account. It may perhaps be said that while cheap food is the most important thing in the lives of the poor from day to day, opportunities of employment are of far greater importance in the long run. This was the view of Cobden¹ and of Gladstone;² and when I reiterated it at the British Association at Southport I hardly supposed it would be disputed. "It does not matter how cheap corn is," I said, "if the labourer is debarred from the opportunity of earning money, and therefore has no means of buying bread. The really important thing for the comfort of the English labourer is, that there should be a steady and increasing field for employment, so that he may have an income to spend."³ But the editor of the *Echo* was content to dismiss this doctrine with a sneer. Dr. Cunningham "has all a well-fed scholar's ignorance of the problem of poverty. 'I would still contend,' says he airily, 'that the price of food is not of such vital import-

¹ *Speeches*, i. 143.

² "If you want to benefit the labouring classes and to do the maximum of good, it is not enough to operate on the articles consumed by them; you should rather operate on the articles that give them the maximum of employment."—Morley, *Life of Gladstone*, ii. 57.

³ "The failure of Free Traders to attain their Ideal," in *Economic Review*, xiv. 46.

ance to the labourer as is sometimes assumed.' It would be well for this economic Doctor of Divinity if he could live for a few years out of Cambridge."¹ Unfortunately it is possible to come across the problem of poverty without leaving Cambridge; there are more poor people in my parish of Great St. Mary's than non-resident members of the University would suppose. It is just because I have been struck with the difficulty which some of my parishioners have in tiding over the Long Vacation, when Cambridge is comparatively empty and everything is dull, that I have come to realise that constancy of employment is more important than cheap food for the comfort of the families of the labouring poor. But the eminent ecclesiastics who have issued the manifesto do not appear to have grasped this fact; they write as if cheap food were the main thing. The Big Loaf will always be an effective election cry, because the labourer lives so much from hand to mouth that his immediate necessities are constantly forced upon him; the party politician and the agitator will always try to make play with it. But I am sorry that the promoters of this manifesto should have given their sanction to a short-sighted and defective scheme of relief, while ignoring the essential condition for the amelioration of the condition of the poor.

(c) The promoters of the manifesto have contented themselves with an imperfect diagnosis of the causes of distress among labourers; but it is even more

¹ September 16, 1903.

unfortunate that they should have shown such uncharitable suspicion of wealthy men and employers. Wealth, like time, may of course be misused in many ways; but for all that, wealth is a power with which civilised communities cannot dispense, and which men may come to learn to use rightly. It is a necessary element in prosperity; in modern times, and under money economy, employment cannot be provided unless capital is available. The conditions which favour the formation of capital, and its investment in agricultural and manufacturing business, are of supreme importance to the whole community, because they open additional opportunities for employment, and therefore for the permanent improvement of the condition of the poor. In discussing social affairs we are concerned with the effects, rather than with the motives, of private action. The philanthropic millionaire, who gives his money away, however careful he may be, is almost certain to do some harm; while the keen business man, who sets labour in motion, can hardly avoid doing a great deal for the welfare of his neighbours. However unscrupulous particular capitalists may be, it is nevertheless essential for the welfare of the community that there should be favourable conditions for the formation and investment of capital. A regular and growing demand for certain wares and manufactures is the greatest incentive to the productive employment of capital, and by far the most wholesome. The claims of particular industries to special encouragement, in an

alleged public interest, must always be scrutinised¹ closely and judicially in the manner of Lord Burleigh; but discouragements to capital generally are a different matter. Anything that increases the risks of business, or reduces the margin of profits, tends to check the expansion of the field for the employment of labour.

This fact, as to the importance of capital and wealth as a factor in the continued prosperity of the country, may be easily overlooked. So long as private property in land and the means of production subsists, so long is there likely to be a wealthy class who are separated by differences of habit and condition from the labourers generally; their opportunities of enjoyment are obvious, but the services which their possessions render to the community do not lie on the surface. Hence there has been in all ages a tendency for the political powers to treat the rich as a sponge from whom money might be wrung without serious harm. Under the Roman Empire steady pressure was put upon the wealthy,² and the burdens laid upon them gradually brought them to ruin; but this was not a benefit to the State. Similar jealousy of wealthy men is said to be characteristic of Oriental potentates, and it certainly actuated mediæval monarchs in their treatment of the Jews.

In a democracy like our own, where so much political power is in the hands of the poor, there is

¹ Cunningham, *Growth of English Industry and Commerce in Modern Times* (1903), 76.

² Cunningham, *Western Civilisation*, i. 183-189.

reason to believe that this prejudice may be very easily awakened, with most mischievous results on the community at large. The signatories, in giving expression to their suspicions of wealthy men, may "evoke the motives" which are inimical to capital. The consequences of such an agitation would develop themselves much more rapidly than was possible in the ancient world. After all, the Roman Empire was so extensive and the means of intercourse, though considerable, were so little developed, that it was hardly possible for a wealthy man to withdraw his property to some other community. But this is no longer the case. In the present day there are so many civilised lands which offer opportunities for industrial enterprise, and the means of communication are so easy, that the transference of capital from a country where circumstances are unfavourable to one where the prospects are better is comparatively easy. The taxation of landed property is so heavy that English landlords have greater difficulty than formerly in taking their part in the improvement of their estates; while the prevalence of municipal trading, the pressure of rates, and the conditions imposed on employers, place serious difficulties in the way of industrial enterprise. There is, as it seems to me, a real danger of driving away capital and employment from this country; but attacks upon wealth, however popular they may be, are to be deprecated on other grounds. When any class in the community is convinced that it does not get fair-play under the system of government, it is likely to attempt to

defend itself. The discontents of the poor find expression in riot: the discontent of the rich is the condition which breeds political corruption. Owners of capital who are subject to unfair attacks may be tempted to try and obtain security for their property by illegitimate means. In the end of the seventeenth and the early eighteenth century, when mercantile interests were but little represented in the House of Commons as compared with land, the temptation to buy support for great commercial undertakings was specially strong; the East India Company in particular had an evil reputation in this respect. When the capitalist cannot count on getting fair-play, there is real danger of organised political corruption; but moralists who inveigh against the evil may overlook the conditions in which it is generated. The diagnosis which satisfies the signatories is merely superficial; since their sociological assumptions are unwarranted, we cannot but question their competence to pronounce on the moral issues involved in the controversy. Our fellow-citizens will surely be well advised to dispense with such guidance and to try to think for themselves.

III

There is, however, another point of view from which I feel that the issue of this clerical Fiscal Manifesto is much to be regretted; it will, I fear, tend to confirm many people in the opinion that there is no very close relation between morality and

political life. There is a danger of thinking that Christian morality is a superfine thing; that it has to do with ideals which are merely in the air, rather than with practical affairs; and that politics in particular may be regarded as non-moral. Whatever excuses there may be for this opinion, it seems to me to be most baneful; I cannot but feel that for its prevalence Richard Cobden is largely responsible. He had complete confidence in the necessary harmony of general and individual interests; so long as monopoly was excluded and every interest had free play, he had no fear that the pursuit of private gain could ever be inconsistent with the well-being of the community as a whole.¹ Under his influence and so far as his views were disseminated, political affairs came to be viewed as a matter of pursuing private interests; patriotism and loyalty, and duteous sentiments of every sort, were left on one side. The moralisation of politics can only be brought about when we take a standpoint from which we can insist on public spirit and public duty as above personal interest, and as things for which personal interest ought to be sacrificed. There is need that our whole political life should be permeated by moral ideals; it is not enough that it should be habitually non-moral, and casually corrected from time to time by appeals to ethical considerations; and the signatories seem to write so much from the harmony-of-interests standpoint, that they do not give us any real help to rise above it.

¹ Cunningham, *R. Cobden and A. Smith*, 11.

(a) There is a vein of cynicism running through this manifesto ; it seems to bring the economic man into political life, and to assume that in dealing with public affairs men are completely dominated by their private interests, and care for nothing else. That is not my experience : one of my early recollections is of a man who had large property in South Carolina, but who sympathised keenly with the North in the American Civil War, in spite of the loss which the success of the Federal Arms was likely to entail, and for that matter did entail upon him. It is the duty of a citizen to try to view public issues disinterestedly, without reference to their probable bearing on his own private affairs ; and I believe there are many men in this country who honestly try to make up their minds in this fashion. To some, indeed, there must be a serious difficulty in honestly taking the right course, for public and private interests may conflict ; but the man who uses his political power and influence simply to forward his own interest, without considering the good of the community, is a bad citizen. For this reason I greatly regret that the exigencies of party conflicts should have led anyone to appeal to the poorer classes of the citizens to decide this issue by reference to their own immediate needs—cheap food—without giving any consideration to the prosperity of the country on the whole. Such an appeal to private interest appears likely to lower the tone of political life, and it does not become more commendable when it is put forward by the Dean of Durham and other radical clergy, in the name of

morality. We are not all, however, under any temptation to subordinate public to private considerations in making up our minds on this issue. There are probably many, like our friend Mr. John Draper,¹ who are quite clear that they cannot gain by Protection, except in so far as it benefits the general public; they do not run any risk of thinking of their private interests in the matter at all. It is quite likely, moreover, that there are some Compatriots who advocate Fiscal Reform, as expedient for the country, even though they believe it will entail some temporary loss on themselves; there is one man who has already sacrificed his position in the Cabinet for the cause. On the other hand, if a man honestly believes that Fiscal Reform is good for the country, I believe he would be over-scrupulous in refusing to support it because he foresees that it would also be beneficial to his own business. What we have to do is to try to think, honestly, clearly, what is good for the country, and above all for the Empire. The picture which Cobdenite purists conjure up of sordid schemers who are each trying to get "a bit," while the country is being ruined and the poor starve, is hardly drawn from life; but we need not forget that the *forte* of our opponents lies in caricature.

(b) This fiscal manifesto does not supply any corrective to the materialistic tone which is noticeable among the advocates of cheap food. They concentrate attention on the improvement of material conditions, as if these would necessarily and in them-

¹ *The Statesman and the Bishop*, p. 8.

selves produce a better state of affairs. They would secure to the working classes more food and more leisure—*panem et circenses*—free food, with free meals and time to assist at football matches. But after all, though food and leisure give the opportunity of a better life, they do not supply a stimulus to aim at it. That can only be drawn from ideal aims and impersonal aspirations—from something that takes us out of ourselves and the needs and greeds of life. The thought of England and the influence of her Empire on the world is such an elevating force, and one that appeals in all ranks of society. There are many ties that bind men and women in very humble homes with distant parts of the Empire, and there is a widely diffused sense of the duty of striving to establish good order and to give subject-races fair-play. The first practical step towards raising the tone of our political life is to strive to make Englishmen realise their great responsibilities, and the tremendous importance of handing down the heritage which we have received from the past.

(c) One word more. Those who fix their eyes on the evil in life and inveigh against it, do not take the wisest method of trying to mend it. In political matters, as in all else, we shall have the best prospect of rendering our action moral and right if we concentrate our attention, not on the mischief to be avoided, but on the good that may be attained. There are some who feel, so far as their personal lives are concerned, that all their powers are to be developed to the utmost, all their opportunities made the

most of, earnestly, energetically, as a trust for which they must give account. We may get some light to guide us, if we can carry the same habit of thought into our political activities. We may set ourselves, earnestly, and as a duty, to develop all the powers, to make the most of all the opportunities that lie before us as a nation; and we shall not go far astray if we are habitually striving to use them as a trust. We, in the Mother Country, are on our trial to-day, before the eyes of the world, as to our willingness and fitness for going forward with our great task. Shall we respond to the fresh calls on our energies, or shall we pusillanimously let the influence we exercise slip from our hands? I have no anxiety as to the decision of our countrymen when they once face the issue fairly. The English Realm is old, with ripe experience drawn from a long past; but the English Empire is young, with new territories to develop, and new difficulties to conquer. We need not fear that the boyish faults of heedlessness and self-assertion will mar our discharge of these responsibilities, if we are true to the spirit of the sage advice—"Rejoice, O young man, in thy youth; and walk in the ways of thine heart and in the sight of thine eyes: but know thou, that for all these things God will bring thee into judgment."

THE END





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